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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspects of this circular or as to the action to be taken, you should consult your stockholder or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Ping An Healthcare and Technology Company Limited, you should at once hand this circular and the accompanying form or proxy to the purchaser or the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**PING AN HEALTHCARE AND TECHNOLOGY COMPANY LIMITED****平安健康醫療科技有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1833)****PROPOSALS FOR  
RE-ELECTION OF RETIRING DIRECTOR  
AND  
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to  
the Independent Board Committee and the Independent Shareholders

**AMASSE CAPITAL**  
**寶 積 資 本**

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A notice convening the Extraordinary General Meeting of Ping An Healthcare and Technology Company Limited to be held at Conference Room B6-02, Block B, Shanghai Ping An Building, No. 166 Kaibin Road, Shanghai, the PRC, at 2 p.m. on Wednesday, 11 November 2020 is set out on pages 69 to 70 of this circular. Shareholders are advised to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the Extraordinary General Meeting or any adjournment thereof. Completion and return of the form or proxy will not preclude you from attending and voting at the Extraordinary General Meeting if you so wish.

14 October 2020

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

### Definitions

“ <b>associate(s)</b> ”	has the meaning ascribed thereto under the Listing Rules
“ <b>Board</b> ”	the board of Directors of our Company
“ <b>CBIRC</b> ”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“ <b>China</b> ” or “ <b>PRC</b> ”	the People’s Republic of China, excluding, for the purposes of this circular only, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“ <b>Company</b> ”	Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 12 November 2014
“ <b>controlling shareholder</b> ”	has the meaning ascribed thereto under the Listing Rules
“ <b>Director(s)</b> ”	the director(s) of our Company
“ <b>Extraordinary General Meeting</b> ” or “ <b>EGM</b> ”	the extraordinary general meeting to be held at Conference Room B6-02, Block B, Shanghai Ping An Building, No. 166 Kaibin Road, Shanghai, the PRC, at 2 p.m. on Wednesday, 11 November 2020 or any adjournment thereof
“ <b>Group</b> ”	the Company, its subsidiaries and the operating entities or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“ <b>Hong Kong</b> ”	the Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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<b>“Independent Board Committee”</b>	an independent committee of the Board comprising all independent non-executive Directors, namely, Mr. Tang Yunwei, Mr. Guo Tianyong, Mr. Liu Xin and Dr. Chow Wing Kin Anthony, to advise the Independent Shareholders in respect of the proposed renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2023)
<b>“Independent Financial Adviser”</b>	Amasse Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the proposed renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2023), and a licensed corporation registered under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
<b>“Independent Shareholders”</b>	in respect of the resolutions related to the proposed renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement, means Shareholders other than Glorious Peace Limited
<b>“Independent Third Party(ies)”</b>	any entity or person who, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
<b>“Latest Practicable Date”</b>	13 October 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on the Stock Exchange, supplemented or otherwise modified from time to time

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## DEFINITIONS

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**“Operating Entity(ies)”**

Collectively, Ping An Health Cloud Company Limited (平安健康互聯網股份有限公司), Hefei Kuaiyijie Medical Electronic Commerce Company Limited (合肥快易捷醫藥電子商務有限公司), Jiangxi Ping An Good Doctor Chainstore Company Limited (江西平安好醫生大藥房有限公司), Jiangsu Nabaite Pharmacy Company Limited (江蘇納百特大藥房有限公司), Pingan (Nantong) Internet Hospital Company Limited (平安(南通)互聯網醫院有限公司), Qingdao Pingan Good Doctor Internet Hospital Co., Ltd. (青島平安好醫生互聯網醫院有限公司), Hefei Pingan Kangjian Internet Hospital Company Limited (合肥平安康健互聯網醫院有限公司), Yinchuan Pingan Internet Hospital Company Limited (銀川平安互聯網醫院有限公司), Shanghai Hao Yi Smart Technology Company Limited (上海滯醫智能科技有限公司), Ping An Wanjia Healthcare Investment Management Co., Ltd. (平安萬家醫療投資管理有限責任公司), Guangdong Yecheng Insurance Agent Company Limited (廣東業誠保險代理有限公司), Hebei Nabaite Pharmacy Co., Ltd. (河北納百特大藥房有限公司), Guangzhou Jifan Biotechnology Co., Ltd. (廣州市濟帆生物科技有限公司), Hainan Pingan Health Technology Co., Ltd. (海南平安健康醫療科技有限公司), Fuzhou Kangjian Medical Technology Co., Ltd. (福州康健醫療科技有限公司), Chengdu Ping An Kangjian Internet Hospital Management Co., Ltd. (成都平安康健互聯網醫院管理有限公司), Shanghai Ping An Good Doctor Eighth Hospital Internet Hospital Co., Ltd. (上海平安好醫生八院互聯網醫院有限公司), Shenyang Kangjian Smart Internet Hospital Co., Ltd. (瀋陽康健智慧互聯網醫院有限公司), Ping An Good Doctor Nanjing Medical Technology Co., Ltd. (平安好醫生南京醫療科技有限公司), Taiyuan Pingan Internet Hospital Company Limited (太原平安互聯網醫院有限公司), Guangxi Ping An Good Doctor Internet Hospital Company Limited (廣西平安好醫生互聯網醫院有限公司), Hangzhou Kangyijian Medical Technology Co., Ltd. (杭州康醫健醫療科技有限公司), Weihai Kangjian Internet Hospital Company Limited (威海康健互聯網醫院有限公司), and Ping An Yingjian Medical Management (Shanghai) Company Limited (平安盈健醫療管理(上海)有限公司), the financial results of which have been consolidated and accounted for as subsidiaries of the Company by virtue of the contractual arrangements

**“PBOC”**

the People’s Bank of China (中國人民銀行)

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## DEFINITIONS

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<b>“Ping An”</b>	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company incorporated under the laws of PRC whose shares are dually listed on the Shanghai Stock Exchange and the Stock Exchange (SSE: 601318; SEHK: 2318). It is a controlling Shareholder and a connected person of the Company
<b>“Ping An Group”</b>	Ping An and its subsidiaries
<b>“Prospectus”</b>	the prospectus of the Company dated 23 April 2018
<b>“Securities and Futures Ordinance” or “SFO”</b>	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
<b>“Share(s)”</b>	ordinary share(s) in the share capital of our Company with a par value of USD0.00001 each before share subdivision and with a par value of USD0.000005 after share subdivision
<b>“Shareholder(s)”</b>	holder(s) of Share(s)
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited
<b>“subsidiaries”</b>	has the meaning as ascribed thereto in the Listing Rules
<b>“2018 Circular”</b>	the circular of the Company dated 10 October 2018 in relation to, among other things, the revision of the annual caps of the 2018 Provision of Products and Services Framework Agreement, the 2018 Services Purchasing Framework Agreement, and the Property Leasing Framework Agreement
<b>“2018 Financial Service Framework Agreement”</b>	a financial service framework agreement entered into between the Company and Ping An on 18 April 2018
<b>“2018 Framework Agreements”</b>	the 2018 Provision of Products and Services Framework Agreement, the 2018 Services Purchasing Framework Agreement and the 2018 Financial Service Framework Agreement
<b>“2018 Provision of Products and Services Framework Agreement”</b>	a provision of products and services framework agreement entered into between the Company and Ping An on 18 April 2018

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## DEFINITIONS

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<b>“2018 Services Purchasing Framework Agreement”</b>	a services purchasing framework agreement entered into between the Company and Ping An on 18 April 2018
<b>“2019 Circular”</b>	the circular of the Company dated 23 September 2019 in relation to, among other things, the revision of the annual caps of the 2018 Provision of Products and Services Framework Agreement and the 2018 Services Purchasing Framework Agreement
<b>“2020 Financial Service Framework Agreement”</b>	an agreement entered into between the Company and Ping An on 20 August 2020, pursuant to which the parties agreed to renew 2018 Financial Service Framework Agreement for a term of three years commencing from 1 January 2021
<b>“2020 Provision of Products and Services Framework Agreement”</b>	an agreement entered into between the Company and Ping An on 20 August 2020, pursuant to which the parties agreed to renew 2018 Provision of Products and Services Framework Agreement for a term of three years commencing from 1 January 2021
<b>“2020 Services Purchasing Framework Agreement”</b>	an agreement entered into between the Company and Ping An on 20 August 2020, pursuant to which the parties agreed to renew 2018 Services Purchasing Framework Agreement for a term of three years commencing from 1 January 2021
<b>“%”</b>	per cent

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## LETTER FROM THE BOARD

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### PING AN HEALTHCARE AND TECHNOLOGY COMPANY LIMITED

### 平安健康醫療科技有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1833)**

*Executive Director*

Mr. Fang Weihao (*Acting Chairman*)

*Non-executive Directors*

Ms. Tan Sin Yin

Mr. Yao Jason Bo

Ms. Cai Fangfang

Ms. Lin Lijun

Mr. Pan Zhongwu

*Independent non-executive Directors*

Mr. Tang Yunwei

Mr. Guo Tianyong

Mr. Liu Xin

Dr. Chow Wing Kin Anthony

*Registered Office:*

The offices of Maples Corporate  
Services Limited

PO Box 309

Ugland House

Grand Cayman

KY1-1104

Cayman Islands

*Headquarters and principal place of business  
in the PRC:*

17-19/F, Block B

Shanghai Ping An Building

No. 166, Kaibin Road

Shanghai

the PRC

*Principal place of business in Hong Kong:*

40/F

Sunlight Tower

No. 248 Queen's Road East

Wanchai

Hong Kong

14 October 2020

*To the Shareholders,*

Dear Sir or Madam,

**PROPOSALS FOR  
RE-ELECTION OF RETIRING DIRECTOR  
AND  
RENEWAL OF CONTINUING CONNECTED TRANSACTIONS  
AND  
NOTICE OF EXTRAORDINARY GENERAL MEETING**

**A. INTRODUCTION**

The purpose of this circular is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the EGM in relation to: (a) the re-election of the retiring Director;



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## LETTER FROM THE BOARD

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(b) the renewal of the 2018 Provision of Products and Services Framework Agreement, the 2018 Services Purchasing Framework Agreement and the 2018 Financial Services Framework Agreement by entering into the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement, including:

- the particulars of the entering into of the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement and the 2020 Financial Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending 31 December 2023);
- the letter from the Independent Board Committee with their view on the entering into of the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending 31 December 2023);
- the letter from the Independent Financial Adviser with their view on the entering into of the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending 31 December 2023) to the Independent Board Committee and the Independent Shareholders.

### **B. RE-ELECTION OF RETIRING DIRECTOR**

In accordance with Article 16.2 of the articles of association of the Company, Mr. Fang Weihao, being an executive Director, shall retire at the next general meeting following his appointment and, being eligible, have offered himself for re-election as an executive Director thereat.

Brief biographical details of Mr. Fang Weihao who is subject to the re-election at the Extraordinary General Meeting are set out in Appendix I to this circular in accordance with the relevant requirements of the Listing Rules.

### **C. RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company dated 20 August 2020, in respect of, among other things, the renewal of (i) the 2018 Provision of Products and Services Framework Agreement, (ii) the 2018 Services Purchasing Framework Agreement, and (iii) the 2018 Financial Service Framework Agreement. For the further details of the 2018 Framework Agreements, please see the Prospectus, the 2018 Circular and the 2019 Circular.

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## LETTER FROM THE BOARD

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The 2018 Framework Agreements will expire on 31 December 2020. As the Group intends to continue carrying out the transactions under the 2018 Provision of Products and Services Framework Agreement, the 2018 Services Purchasing Framework Agreement, and the 2018 Financial Service Framework Agreement in the ordinary and usual course of business of the Group, the Company and Ping An agree to enter into (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement for a term of three years commencing from 1 January 2021 (which is subject to the Shareholders approving the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement) to 31 December 2023 (both days inclusive), subject to renewal upon the mutual consent of both parties.

### **1. 2020 Provision of Products and Services Framework Agreement**

#### *Principal terms*

The Company entered into the 2020 Provision of Products and Services Framework Agreement with Ping An on 20 August 2020, pursuant to which the Company shall provide various types of products and services to Ping An and/or its associates, including, but not limited to, (1) online medical services comprising online consultation, hospital referral, inpatient arrangement, second opinion services and electronic prescriptions, (2) prepaid cards for purchasing the healthcare products and services, (3) products in the Company's health mall, which is an online platform offering diversified and evolving products offering, mainly including healthcare products such as medicines, health supplements and medical devices and wellness products such as fitness equipment and accessories and personal care products, and (4) advertising services. Fees shall be paid to the Company by Ping An and/or its associates in respect of the provision of such products and services.

#### *Reasons for the transaction*

The Group and Ping An Group have the same business development strategic direction, overlapping customer groups and complementary products (the Company's healthcare services are the optimization and enhancement of Ping An Group's insurance products). The Company's online medical services could complement Ping An Group's offline insurance products, forming new portfolios to accommodate more demands of the customers. The cooperation between the Group and Ping An Group will create online and offline synergies and facilitate business improvement and development for both parties. Therefore, the Board expects that the cooperation between the Group and Ping An Group will be continuously deepened and expanded in the future.

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## LETTER FROM THE BOARD

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The Directors consider that the provision of products and services to Ping An and/or its associates would benefit the Company for the following reasons:

- since the core business of the Company and Ping An Group's insurance business are inextricably linked together in multiple aspects, the Company's businesses and those of Ping An Group are highly complementary and beneficial to each other. In particular, the Company's provision of healthcare services and products and the nature of the Company's principal business is closely associated with the life insurance industry, in which Ping An Group has a leading industry position;
- in light of the leading position that Ping An enjoys in the PRC insurance industry, it is commercially reasonable and in the best interests of the Company to cooperate with Ping An. In addition, given Ping An has accumulated a relatively large user base during its years of operation in the insurance industry, the Company could further increase its user base through provision of products and services to Ping An and/or its associates, which may further refer the Group's products and services to their clients;
- as both parties enjoy respective advantages in different business fields, the collaboration may bring synergy between online and offline medical services portals, together with different insurance services and products into full play and share development achievements. For instance, the Company's online medical services and *Private Doctor Membership* will be able to complement the premium life and health insurance products offered by Ping An such that Ping An would be able to customize such products to meet the differentiating needs of its insurance customers, generating additional revenue for the Company and increasing customer reach of the Group. The Group will then be able to leverage on such online reach to customers and advertise its offline medical service and create synergy between its online and offline medical services portals; and
- the transactions, which will be conducted based on the commercial terms and pricing basis determined based on market rates, could enable the Company to access stable and reliable sales channels and promote the Company's financial performance.

### *Pricing policies*

- With respect to the online medical services provided to Ping An and/or its associates, the service fee shall be determined on the cost plus a gross margin ranging from 40% to 55% taking into consideration various commercial factors such as the historical profit margin of such services, the nature, market competitiveness and profitability of the services, substitutability of the services in the market, the frequency for the Group to provide such services, the estimated transaction amount and the commercial potential for such services, and shall not be lower than the prices at which the Group provides similar services to Independent Third Parties. For the

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## LETTER FROM THE BOARD

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two years ended 31 December 2019 and the six months ended 30 June 2020, the gross margin of the Group's online medical services provided to Ping An and/or its associates was 40.1%, 44.2% and 54.6%, respectively;

- With respect to the prepaid cards provided to Ping An and/or its associates, the price shall be the par value of the respective prepaid cards;
- With respect to the products in the health mall provided to Ping An and/or its associates, the price shall be based on the Group's purchasing expense taking into consideration the Group's expected gross margin ranging from 2% to 18% which is determined according to the categories of the products and is in line with the price of the same products the Group provided to the Independent Third Parties; and
- With respect to the advertising services provided to Ping An and/or its associates, the service fee shall be (i) fixed fees based on, among others, the position of the advertisement with the purchase volume taken into consideration, or (ii) the revenue/profit sharing rates agreed separately.

The products and services fees the Group charged to Ping An and/or its associates were determined on the basis of arm's length negotiations between the relevant parties, which are in line with market rates and are in the best interests of the Company and the Shareholders as a whole. Reference is also made to the applicable historical prices of products and services to ensure that the terms of supplying products and services including the above pricing policies to Ping An and/or its associates are fair and reasonable.

### *Historical amounts*

The historical amounts for the provision of the above products and services by the Group to Ping An and/or its associates were approximately RMB1,381,300 thousand, RMB2,448,210 thousand and RMB1,159,109 thousand for the two years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

The annual caps for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB1,394.2 million, RMB2,800 million and RMB3,750 million, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 99.07%, 87.44% and 30.91% (\*6-month) respectively.

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## LETTER FROM THE BOARD

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### *Proposed Annual Caps*

In respect of the 2020 Provision of Products and Services Framework Agreement, proposed annual caps for the transaction amount to be paid by Ping An and/or its associates to the Group for the three years ending 31 December 2023 are set out in the table below:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>		
Transaction amount to be paid by Ping An and/or its associates to the Company	5,000,000	6,400,000	8,700,000

### *Basis of caps*

The Board determines the above proposed annual caps based on the following reasons:

- (i) the historical transaction amounts and the growth trend for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing products and services provision arrangements between the Company and Ping An and/or its associates;
- (ii) due to the business development of the Group and the diversification of products and services offered by the Group, purchase from Ping An and/or its associates is estimated to increase significantly;
- (iii) as the business of Ping An and/or its associates continues to develop, their business needs of online medical service, prepaid card, consultation and pharmacies services, health check-up service package, *Private Doctor Membership* (a product which provides premium healthcare services and targets high-end customers), *Healthy Workplace Program*, healthcare products related to the fund of the annuity insurance, products in the Company's health mall and advertising services recorded substantial increase;

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## LETTER FROM THE BOARD

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(iv) due to the large customer base of Ping An and/or its associates, the purchase from Ping An and its associates targeted to complement its product offerings is estimated to increase accordingly. Regardless of the development trend or scale of Ping An Group's profit, the Group plans to achieve business growth by increasing the percentage of Ping An Group's users who purchase the Group's existing or new products or services. The Board has taken into account the potential market size and cooperation opportunities with Ping An comprising the potential customers of the following products and services:

- a. Consultation and pharmacies services  
Taking into account the procurement of the consultation and pharmacies services as (i) the regular service under the retail life insurance, (ii) an add-on to the retail auto insurance, and (iii) a complimentary gift for premium retail banking customers, the Board expects that Ping An's retail life insurance customers, retail auto insurance customers and retail banking customers may purchase the consultation and pharmacies services of the Group, whose unit price ranges from RMB30 to RMB100. As disclosed in the 2019 annual report of Ping An, Ping An had approximately 63.00 million retail life insurance customers, 50.23 million retail auto insurance customers, and 69.25 million retail banking customers as at 31 December 2019. It is also expected that the respective numbers of the above customers of Ping An would continue to grow for the three years ending 31 December 2023 under the average growth rate of the past two years ended 31 December 2019 at 12.55%.
- b. *Healthy Workplace Program*  
The Group launched a new product under the *Private Doctor Membership*, namely *Healthy Workplace Program*, and the Board expects that Ping An may purchase *Healthy Workplace Program* for its employees which amounted to 372,194 as at 31 December 2019 as disclosed in Ping An's 2019 annual report, as part of their welfare packages offered by Ping An. The unit prices of *Healthy Workplace Program* package that suits the needs of Ping An's employees range from RMB300 to RMB400.
- c. Healthcare products related to the fund of the annuity insurance  
The fund of Ping An's annuity insurance comprising the corporate customers' funds, which is primarily used by the corporate customers for the procurement of healthcare products for their respective employees, might make procurement of healthcare products from the Group.

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## LETTER FROM THE BOARD

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- d. Outpatient products      The Board expects that Ping An’s retail life insurance customers may purchase the outpatient products of the Group, whose unit price ranges from RMB120 to RMB200. As disclosed in the 2019 annual report of Ping An, Ping An had approximately 63.00 million retail life insurance customers. It is also expected that the base of Ping An’s retail life insurance customers would continue to grow at the average growth rates in the past two years ended 31 December 2019 and the six months ended 30 June 2020.
- (v) the estimated growth in the overall revenue of the Company due to the positive policies on the Social Health Insurance (SHI) payment including the Notice on Properly Providing Online Medical Consultation Services in Pandemic Prevention and Control and the Guidelines on Promoting the Development of “Internet+” Social Health Insurance Services during the COVID-19 Prevention and Control issued by the National Health Commission and the National Healthcare Security Administration in February and March 2020. These policies specified that the online follow-up services for common and chronic diseases provided by qualified Internet healthcare service providers for the Social Health Insurance (SHI) participants can be included into the SHI Payment in accordance with local regulations. The model of SHI payment is that SHI will cover part of the online medical expenses and the individuals will only need to pay the rest. As the SHI payment is currently being set up and negotiated, the Board believes that the positive policies and the launch of SHI payment will broaden the services of the Company and therefore increase its revenue;
- (vi) the potential increase of the unit prices of certain products (including the online medical services and the products in the Company’s health mall) subject to the actual cost, popularity and sales volume of the products of the Group in the three years ending 31 December 2023; and
- (vii) the transaction amount to be paid by Ping An and/or its associates to the Company is expected to grow in line with the business development of the Company, and in line with the growth of demand generated by Ping An’s continually expanding customer base, which has been demonstrated by the high utilization rates of annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020.

### **2. 2020 Services Purchasing Framework Agreement**

#### ***Principal terms***

The Company entered into the 2020 Services Purchasing Framework Agreement with Ping An on 20 August 2020, pursuant to which Ping An and/or its associates shall provide a wide spectrum of services to the Group, including but not limited to consulting services,

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## LETTER FROM THE BOARD

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business promotion services, outsourcing services relating to finance, human resources and administration matters, insurance services, online traffic re-directing services and customer referral services. The Group shall, in return, pay service fees to Ping An and/or its associates. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

### *Reasons for the transaction*

Since its establishment, the Company has been purchasing a variety of services from Ping An and/or its associates to satisfy its business and operational needs. Owing to the strategic business relationship, Ping An and/or its associates has acquired a comprehensive understanding of the Group's business and operational requirements and established a foundation for mutual trust. Taking into consideration the Group's previous purchasing experience with Ping An and/or its associates, the Group believes that Ping An and/or its associates is capable of fulfilling the Group's demands efficiently and reliably with a stable and high-quality supply of services, and entering into the 2020 Services Purchasing Framework Agreement would minimize disruption to the Company's operation and internal procedures. In addition, it would be more cost-effective for the Company to outsource procedural and commoditized work to Ping An and/or its associates rather than maintain its own headcounts for processing such work.

The Group and Ping An Group have the same business development strategic direction, overlapping customer groups and complementary products (the Company's healthcare services are the optimization and enhancement of Ping An Group's insurance products). The Company's online medical services could complement Ping An Group's offline insurance products, forming new portfolios to accommodate more demands of the customers. The cooperation between the Group and Ping An Group will create online and offline synergies and facilitate business improvement and development for both parties. Therefore, the Board expects that the cooperation between the Group and Ping An Group will be continuously deepened and expanded in the future.

### *Pricing policies*

Taking into consideration the estimated transaction amount, the services fees to be paid by the Group to Ping An and/or its associates under the Services Purchasing Framework Agreement will be determined (1) through bidding procedures according to the internal rules and procedures of the Company. The Company will compare the fees rates offered by other Independent Third Parties as well as accessing its business needs and the relevant qualifications/experience of the bidders in providing such services before determining the service fee rate for the transactions under the Services Purchasing Framework Agreement; and (2) if no tendering and bidding process is required under the Group's internal rules, through arm's length negotiations between the parties based on the historical fees of such services, the nature of the services, the frequency for providing such services by Ping An and/or its associates and comparable market rates. The pricing terms under the Service Purchasing



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## LETTER FROM THE BOARD

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Framework Agreement will be no less favorable to the Company than terms of services available to Independent Third Parties (if applicable), and the services fees are in line with or lower than market rates and is in the best interests of the Company and the Shareholders as a whole.

### *Historical amounts*

The transaction amounts paid by the Group to Ping An and/or its associates in respect of the above services were approximately RMB104,700 thousand, RMB251,460 thousand and RMB315,323 thousand for the two years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

The annual caps for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB135.88 million, RMB400 million and RMB600 million, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 77.05%, 62.87% and 52.55% (\*6-month) respectively.

### *Proposed Annual Caps*

In respect of the 2020 Services Purchasing Framework Agreement, proposed annual caps for the transaction amounts to be paid by the Group to Ping An and/or its associates for the three years ending 31 December 2023 are set out in the table below:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>		
Transaction amount to be paid by the Group to Ping An and/or its associates	890,000	1,260,000	1,638,000

### *Basis of caps*

The Board determines the above proposed annual caps based on the following reasons:

- (i) the historical transaction amount and the growth trend for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing service purchase arrangement between the Company and Ping An and/or its associates;
- (ii) due to the expected significant growth in the Group's operational scale in the three years ending 31 December 2023, the Group's needs for services such as consulting service, insurance service and business promotion services to be provided by Ping An and/or its associates in supporting the Group's business operation are expected

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## LETTER FROM THE BOARD

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to grow, taking into account (i) the historical growth of our existing products, including but not limited to the membership products which generated revenues of over RMB420 million in total in the first half of 2020, representing an increase of over 200% year-on-year, (ii) the Group's sales target of the Group's existing products, and (iii) the estimated sales scale of the new products and services of the Group including but not limited to the consultation and pharmacies services, *Healthy Workplace Program*, healthcare products related to the fund of the annuity insurance and outpatient products; and

- (iii) the expected increase of service fee to be charged by Ping An and/or its associates due to the estimated increase of cost of labor for the provision of services by Ping An and/or its associates.

### **3. 2020 Financial Service Framework Agreement**

#### *Principal terms*

The Company entered into the 2020 Financial Service Framework Agreement with Ping An on 20 August 2020, pursuant to which Ping An Bank shall provide deposit service, and Ping An and/or its associates shall provide wealth management service to the Group. For the deposit service provided, the Group deposits cash into the bank accounts of the Group at Ping An Bank, including cash generated from the Group's daily business operations, the proceeds generated from the financing activities of the Group and the net proceeds received from the global offering of the Company. In return, Ping An Bank shall pay deposit interests to the Group. In respect of the wealth management service, the Group purchases wealth management products from Ping An and/or its associates and receive investment income in return.

#### *Reasons for the transaction*

As Ping An and/or its associates have been providing deposit service and wealth management service to the Group during the Track Record Period, it has developed a deep understanding of the Group's capital structure, business operations, funding needs and cash flow patterns, which facilitates the provision of expedient and efficient services. Therefore, Ping An and/or its associates are well-positioned to provide the Group with customized financial services.

#### *Pricing policies*

##### *Deposit service*

Interest rates for the deposits placed by the Group with Ping An Bank will not be lower than: (i) the interest rate published by the PBOC for deposits of a similar type for the same period, (ii) the interest rate for deposits of a similar type for the same period placed by Independent Third Parties, or (iii) the interest rate for deposits of a similar type

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## LETTER FROM THE BOARD

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for the same period offered by independent commercial banks to the Group and its subsidiaries. Such interest rates are in line with market rates and are in the best interests of the Company and its Shareholders as a whole.

### *Wealth management service*

The investment income to be received by the Group from the purchase of wealth management products from Ping An Bank will be: (i) subject to the benchmark fee (if applicable) for similar types of wealth management products published by PBOC or CBIRC from time to time, (ii) comparable to, or no less favorable to the Group than the average investment income rates (if applicable) offered by independent commercial banks or financial institutions for similar types of wealth management products, and (iii) based on the investment income rates for the wealth management products offered by Ping An Bank, which will apply to all purchasers of such wealth management products, including the Company and any Independent Third Parties.

### *Historical amounts*

In respect of the deposit service provided by Ping An Bank to the Group, the maximum daily balance of deposit placed by the Group with Ping An Bank were approximately RMB8,496,040 thousand, RMB5,935,280 thousand, and RMB2,383,727 thousand and the interest income received by the Group from Ping An Bank was RMB100,530 thousand, RMB92,440 thousand and RMB24,438 thousand, for the two years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

The annual caps of the maximum daily balance of deposit for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB13,819,120 thousand, RMB13,819,120 thousand and RMB13,819,120 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 61.48%, 42.95% and 17.25% (\*6-month) respectively. The annual caps of the interest income in respect of the deposit service for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB414,574 thousand, RMB414,574 thousand and RMB414,574 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 24.25%, 22.30% and 5.89% (\*6-month) respectively.

In respect of the wealth management service provided by Ping An and/or its associates to the Group, the maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates were approximately RMB536,780 thousand, RMB3,324,220 thousand and RMB3,256,382 thousand, respectively, and the investment income received by the Group from Ping An and/or its associates was RMB7,720 thousand, RMB17,900 thousand and RMB58,115 thousand, respectively, for the two years ended 31 December 2019 and the six months ended 30 June 2020.

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## LETTER FROM THE BOARD

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The annual caps of the maximum daily balance of the wealth management products for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB11,055,296 thousand, RMB11,055,296 thousand and RMB11,055,296 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 4.86%, 30.07% and 29.46% (\*6-month) respectively. The annual caps of the investment income in respect of the wealth management service for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB497,489 thousand, RMB497,489 thousand and RMB497,489 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 1.55%, 3.60% and 11.68% (\*6-month) respectively.

### *Proposed Annual Caps*

In respect of the 2020 Financial Service Framework Agreement, the maximum daily balance of deposits to be placed by the Group with Ping An Bank, the deposit interest income received by the Group from Ping An Bank, the maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates and the investment income to be received by the Group from Ping An and/or its associates for the three years ending 31 December 2023 shall not exceed the respective proposed annual caps as set out in the table below:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>		
<b>Deposit Service</b>			
Maximum daily balance of deposits to be placed by the Group with Ping An Bank	10,000,000	10,000,000	10,000,000
Interest income to be received by the Group from Ping An Bank	320,000	320,000	320,000
<b>Wealth Management Service</b>			
Maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates	10,000,000	10,000,000	10,000,000
Investment income to be received by the Group from Ping An and/or its associates	450,000	450,000	450,000

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## LETTER FROM THE BOARD

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### *Basis of caps*

#### *Deposit Service – Maximum daily balance of deposits to be placed by the Group with Ping An Bank*

The above proposed annual caps for the maximum daily balance of deposits to be placed by the Group with Ping An Bank are determined with reference to the following basis:

- (i) the historical amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing deposit services arrangements;
- (ii) the current and expected future cash flow position of the Company in light of the Group's estimated scale of business operation and demand for deposit services in the future with reference to the total available funds of the Company as at 30 June 2020, which were RMB9,140.7 million; and
- (iii) assuming that the Company could utilize all its total available funds for the deposit service or the wealth management service at some time in the three years ending 31 December 2023, the Company determined the annual caps of both the maximum daily balance of deposit and the wealth management products taking into account (a) the total available funds of the Company as at 30 June 2020, and (b) the estimated increase of the total available funds of the Company.

#### *Deposit Service – Interest income to be received by the Group from Ping An Bank*

In respect of the deposit service to be provided by Ping An Bank to the Group, the above proposed annual caps for the interest income to be received by the Group from Ping An Bank are determined based on the expected interest rates of approximately 3.2% of the Group's outstanding deposit amount, which is in line with prevailing market rates.

#### *Wealth Management Service – Maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates*

In respect of the wealth management products to be purchased by the Group from Ping An and/or its associates, the above proposed annual caps for the maximum daily balance of the wealth management products are determined with reference to the following:

- (i) the historical transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing wealth management services arrangements; and

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## LETTER FROM THE BOARD

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- (ii) the expected volume of deposit to be placed with Ping An and/or its associates with certain reserve for liquidity purposes with reference to the total available funds of the Company as at 30 June 2020, which were RMB9,140.7 million. Taking into consideration the Company's future treasury policy, which balances the Company's working capital and liquidity needs as well as its investment in wealth management products to increase its investment income, it is currently expected that the Company may purchase wealth management products from Ping An and/or its associates with up to 100% of its deposit with Ping An Bank; and
- (iii) assuming that the Company could utilize all its total available funds for the deposit service or the wealth management service at some time in the three years ending 31 December 2023, the Company determined the annual caps of both the maximum daily balance of deposit and the wealth management products taking into account (a) the total available funds of the Company as at 30 June 2020, and (b) the estimated increase of the total available funds of the Company.

*Wealth Management Service – Investment income to be received by the Group from Ping An and/or its associates*

The above proposed annual caps for the investment income to be received by the Group from Ping An and/or its associates are determined based on the expected return rate of approximately 4.5% for the wealth management service provided by Ping An and/or its associates, which is in line with prevailing market rates. The Group's decisions on the investment products of Ping An Bank are based on risk and return analysis under the Group's treasury policy, as well as an analysis of suitable and comparable products available in the market.

### **D. INTERNAL CONTROL MEASURES**

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to the Group than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- The Company has adopted and implemented a management system on connected transactions. Under such system, the audit and risk management committee under the Board is responsible for the review on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit and risk management committee under the Board, the Board and various internal departments of the Company (including but not limited to the finance department and compliance

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## LETTER FROM THE BOARD

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department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- the audit and risk management committee under the Board, the Board and various internal departments of the Company also regularly monitor the fulfilment status and the transaction updates under the framework agreements. The Board will also monitor the aggregate amount of all the continuing connected transactions between the Group and Ping An Group and control the aggregate amount under the continuing transactions as a percentage of the Company's total revenue to a relatively stable level. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements on an annual basis;
- the Company's independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and
- when considering the rents, service fees, and other fees provided by the Group to the connected persons, the Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Company and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties.

The Company will timely comply with the relevant disclosure requirements in relation to connected transactions to provide the Shareholders and investors with sufficient information of the connected transactions, and duly implement the abovementioned internal control procedures to ensure that the transactions conducted are priced fairly and reasonably and in the interest of the Company and the Shareholders as a whole.

### **E. LISTING RULES IMPLICATIONS**

As at the Latest Practicable Date, Ping An is a controlling Shareholder of the Company and held approximately 38.43% of the total issued share capital of the Company, and thus Ping An and its associates are connected persons of the Company. Therefore, the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement are connected transactions of the Company.

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## LETTER FROM THE BOARD

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As the highest applicable percentage ratio in respect of the annual caps for each of (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement, on a stand-alone basis, is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

### **F. GENERAL INFORMATION**

The Group is principally engaged in the provision of online medical and wellness services, such as online medical services, consumer healthcare services, health mall as well as health management and wellness interaction.

Ping An is an insurance and financial services group in the PRC with the ability to provide multiple insurance and financial services and products to corporate and retail customers.

### **G. EXTRAORDINARY GENERAL MEETING**

The EGM will be held at Conference Room B6-02, Block B, Shanghai Ping An Building, No. 166 Kaibin Road, Shanghai, the PRC, at 2 p.m. on Wednesday, 11 November 2020, and the relevant notice is set out on pages 69 to 70 of this circular.

At the EGM, ordinary resolutions will be proposed to approve (a) the re-election of the retiring Director; (b) the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement.

The register of members of the Company will be closed from Friday, 6 November 2020 to Wednesday, 11 November 2020, both days inclusive, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Thursday, 5 November 2020 for registration.

A form of proxy for use at the EGM is enclosed with this circular. Whether you are able to attend the EGM or not, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the completed form of proxy to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the EGM or any adjournment thereof. Submission of a form of proxy shall not preclude you from attending and voting at the EGM or any adjournment thereof if you so wish, and in such event, the form of proxy will be deemed to be revoked.



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## LETTER FROM THE BOARD

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### **H. VOTING BY POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, all votes at the EGM shall be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

### **I. CONNECTED PERSONS WHO ARE REQUIRED TO ABSTAIN FROM VOTING ON THE RESOLUTIONS**

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the relevant connected transaction is required to abstain from voting on the resolution.

The 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement are entered into between the Company and Ping An. Therefore, Ping An and its associates are required to abstain from voting on the relevant resolutions. Since Glorious Peace Limited is indirectly wholly owned by Ping An, Glorious Peace Limited is an associate of Ping An and is therefore required to abstain from voting on the relevant resolutions as proposed herein.

As at the Latest Practicable Date and to the best knowledge, information and belief of the Directors, save as disclosed in this circular, none of the other Shareholders must abstain from voting on the resolutions as proposed herein.

### **J. RECOMMENDATION**

The Directors (excluding the independent non-executive Directors whose view has been included in the section headed “Letter from the Independent Board Committee” of this circular) are of the view that the terms of (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement were determined after arm’s length negotiations, and the transactions contemplated thereunder (including the annual caps for the three years ending 31 December 2023) are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms and, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Ms. Tan Sin Yin, Mr. Yao Jason Bo and Ms. Cai Fangfang, all being Directors, hold directorships in Ping An, they have therefore abstained from voting on the relevant Board resolutions approving each of the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereunder for the three years ending 31 December 2023). Save as disclosed above, none of the other Directors has material interests in the transactions contemplated above.

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## LETTER FROM THE BOARD

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The Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps thereunder for the three years ending 31 December 2023). Your attention is drawn to the letter of advice from the Independent Board Committee set out on pages 25 to 26 in this circular. Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same respect. Your attention is drawn to the letter from the Independent Financial Adviser set out on pages 27 to 63 in this circular.

The Directors recommend the Independent Shareholders to vote in favor of all the ordinary resolutions to be proposed at the EGM.

By order of the Board  
**PING AN HEALTHCARE AND  
TECHNOLOGY COMPANY LIMITED**  
**Fang Weihao**  
*Acting Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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### PING AN HEALTHCARE AND TECHNOLOGY COMPANY LIMITED

平安健康醫療科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1833)

14 October 2020

*To the Independent Shareholders,*

Dear Sir or Madam,

#### PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 14 October 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of Independent Board Committee to advise the Independent Shareholders in respect of the proposed renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for the three years ending 31 December 2023), details of which are set out in the “*Letter from the Board*” in the Circular. Amasse Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “*Letter from the Board*” set out on pages 6 to 24 of the Circular and the “*Letter from Independent Financial Advisor*” set out on pages 27 to 63 of the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “*Letter from Independent Financial Adviser*” in the Circular, we concur with the view of the Independent Financial Adviser and consider that the terms of (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement were determined after arm’s length negotiation, and the transactions contemplated thereunder (including the annual caps for the three years ending 31 December 2023) are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms and, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement and the transaction contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2023).

Yours faithfully,

**INDEPENDENT BOARD COMMITTEE**

**Mr. Tang Yunwei**

**Mr. Guo Tianyong**

**Mr. Liu Xin**

**Dr. Chow Wing Kin Anthony**

*Independent non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Amasse Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for the three years ending 31 December 2023), which has been prepared for the purpose of incorporation in this circular.*

### **AMASSE CAPITAL**

寶 積 資 本

14 October 2020

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

#### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2023), details of which are set out in the letter from the Board contained in the circular of the Company dated 14 October 2020 (the “**Circular**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

References are made to (i) 2018 Circular in relation to, among other things, the revision of annual caps under the 2018 Provision of Products and Services Framework Agreement and the 2018 Services Purchasing Framework Agreement for the three years ending 31 December 2020; (ii) the 2019 Circular in relation to, among other things, the further revision of annual caps under the 2018 Provision of Products and Services Framework Agreement and the 2018 Services Purchasing Framework Agreement for the two years ending 31 December 2020 (collectively, the “**Previous Revisions**”) and (iii) the announcement of the Company dated 20 August 2020 (the “**Announcement**”) in respect of, among other things, the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for the three years ending 31 December 2023).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Independent Board Committee (comprising all of the independent non-executive Directors) has been formed to advise the Independent Shareholders on the proposed renewal of continuing connected transactions contemplated under (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for each of the three years ending 31 December 2023). We have been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect, and such appointment has been approved by the Independent Board Committee.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Ping An is a controlling shareholder of the Company and held approximately 38.43% of the total issued share capital of the Company, and thus Ping An and its associates are connected persons of the Company. Therefore, the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement are connected transactions of the Company.

As the highest applicable percentage ratio in respect of the proposed annual caps for each of (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement, on a stand-alone basis, is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as an independent financial adviser to the independent board committee and the independent shareholders of the Company regarding the Previous Revisions (the "**Previous Appointments**"), details of which are set out in the 2018 Circular and 2019 Circular.

With regard to our independence from the Company, it is noted that, apart from normal professional fees paid or payable to us in connection with the Previous Appointments as well as the current appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have reviewed, among others, (i) the Announcement, the 2018 Circular, the 2019 Circular, the prospectus of the Company dated 23 April 2018 (the “**Prospectus**”), the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”), the annual report of the Company for the year ended 31 December 2019 (the “**2019 Annual Report**”) and the interim result announcement of the Company dated 20 August 2020 (the “**2020 Interim Result Announcement**”) in relation to the information of the Group; (ii) the information contained or referred to in the Circular; and (iii) relevant public information. We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (collectively, the “**Management**”). We have assumed that all information and representations that have been provided by the Management, for which the Directors are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the representation and confirmation of the Management that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the renewal of continuing connected transactions contemplated under (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for the three years ending 31 December 2023). We have reviewed and discussed with the Company on the information provided as well as sought and received confirmation from the Management that all information and representations provided to us by the Management are true, accurate, complete and not misleading in all respects at the time they were made and as at the Latest Practicable Date. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Management, nor have we conducted any independent in-depth investigation into the business and affairs of any members of the Group, the counter party(ies) to the renewal of continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement (including the proposed annual caps for the three years ending 31 December 2023) or their respective subsidiaries or associates. We also have not considered the taxation implication on the Group or the Shareholders as a result of the renewal of continuing connected transaction and the transactions contemplated thereunder. We have not carried out any feasibility study on the past, and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group. Our opinion has been formed on the assumption that any analysis, estimation, anticipation, condition and assumption provided by the Group are feasible and sustainable. Our opinion shall not be constructed as to give any indication to the validity, sustainability and feasibility of any past, existing and forthcoming investment decision, opportunity or project undertaken or to be undertaken by the Group.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. We expressly disclaim any liability and/or any loss arising from or in reliance upon the whole or any part of the contents of this letter.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.



# LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

## PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion, we have taken into consideration the following principal factors and reasons.

### 1. Background Information

#### (a) Information of the Group

The Group is principally engaged in the provision of online medical and wellness services, such as online medical services, consumer healthcare services, health mall as well as health management and wellness interaction.

Set out below is a summary of the financial information of the Group as extracted from 2018 Annual Report and the 2019 Annual Report and the 2020 Interim Result Announcement, details of which are as follows:

	<b>For the six months</b>		<b>For the year ended 31 December</b>		
	<b>ended 30 June</b>		<b>2019</b>	<b>2018</b>	<b>2017</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Revenue	2,746.6	2,272.7	5,065.4	3,337.8	1,868.0
Gross profit	821.6	491.7	1,171.4	911.9	612.1
Net loss after taxation	(213.2)	(273.5)	(746.7)	(913.1)	(1,001.6)
		<b>As at</b>	<b>As at</b>	<b>As at</b>	
		<b>30 June</b>	<b>31 December</b>	<b>31 December</b>	
		<b>2020</b>	<b>2019</b>	<b>2018</b>	
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	
		(unaudited)	(audited)	(audited)	
Total assets		12,454.4	12,379.1	12,373.5	
Total liabilities		2,946.2	2,709.7	2,106.2	
Total equity		9,508.3	9,669.5	10,267.3	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*For the six months ended 30 June 2020*

For the six months ended 30 June 2020, the Group recorded revenue of approximately RMB2,746.6 million, representing an increase of 20.85% as compared to that of approximately RMB2,272.7 million for the six months ended 30 June 2019. The increase in revenue was mainly attributable to the growth across all business segments, in particular the online medical services segment, which recorded an increase of RMB358.9 million in revenue with a growth rate of 106.79% due to the significant growth in revenue from membership service products and medication purchase based on electronic prescriptions attached to online consultation.

For the six months ended 30 June 2020, the gross profit of the Group approximately RMB821.6 million, representing an increase of 67.09% as compared to that of approximately RMB491.7 million for the six months ended 30 June 2019. The increase in gross profit was mainly attributable to the growth in online medical services segment which recorded an increase of RMB209.8 million in gross profit with a growth rate of 123.63% due to the growth in revenue from membership service products and medication purchase based on electronic prescriptions attached to online consultation and improvement in quality of medical services.

For the six months ended 30 June 2020, the net loss after taxation of the Group was approximately RMB213.2 million, representing a decrease of 22.05% as compared to that of approximately RMB273.5 million for the six months ended 30 June 2019 due to the increase in revenue in all segments.

*For the year ended 31 December 2019*

For the year ended 31 December 2019, the Group recorded revenue of approximately RMB5,065.4 million, representing an increase of 51.76% as compared to that of approximately RMB3,337.8 million for the year ended 31 December 2018. The increase in revenue was mainly attributable to growth across all business segments, in particular the health mall segment, which recorded an increase of RMB1,037.8 million in revenue with a growth rate of 55.66% due to continued diversification of product offering and improvement in user experience and conversion rate.

For the year ended 31 December 2019, the gross profit of the Group approximately RMB1,171.4 million, representing an increase of 28.46% as compared to that of approximately RMB911.9 million for the year ended 31 December 2018. The increase in gross profit was mainly attributable to the growth in online medical services segment which recorded an increase of RMB214.2 million in gross profit with a growth rate of 130.00% due to the growth in membership service products and selling of electronic prescriptions attached to online consultation.

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For the year ended 31 December 2019, the net loss after taxation of the Group was approximately RMB746.7 million, representing a decrease of 18.22% as compared to that of approximately RMB913.1 million for the year ended 31 December 2018 due to the increase in revenue in all segments.

*For the year ended 31 December 2018*

For the year ended 31 December 2018, the Group recorded revenue of approximately RMB3,337.8 million, representing an increase of 78.68% as compared to that of approximately RMB1,868.0 million for the year ended 31 December 2017. The increase in revenue was mainly attributable to growth across all business segments, in particular the health mall segment, which recorded an increase of RMB968.3 million in revenue with a growth rate of 108.06% due to continued diversification of product offering and higher user engagement with the Group's mobile application.

For the year ended 31 December 2018, the gross profit of the Group approximately RMB911.9 million, representing an increase of 48.98% as compared to that of approximately RMB612.1 million for the year ended 31 December 2017. The increase in gross profit was mainly attributable to the growth across all business segments, in particular, the consumer healthcare segment which recorded an increase of RMB114.0 million in gross profit with a growth rate of 37.47% due to continued growth in the health check-up prepaid card business.

For the year ended 31 December 2018, the net loss after taxation of the Group was approximately RMB913.1 million, representing a decrease of 8.84% as compared to that of approximately RMB1,001.6 million for the year ended 31 December 2017 due to the increase in net foreign exchange gain from holding of USD resulting from favorable exchange rate movement with respect to the US dollar.

*Financial position as at 30 June 2020*

The total assets of the Group was approximately RMB12,454.4 million as at 30 June 2020, representing an increase of 0.61% as compared to that of approximately RMB12,379.1 million as at 31 December 2019.

The total liabilities of the Group was approximately RMB2,946.2 million as at 30 June 2020, representing an increase of 8.73% as compared to that of approximately RMB2,709.7 million as at 31 December 2019.

The total equity of the Group was approximately RMB9,508.3 million as at 30 June 2020, representing a decrease of 1.67% as compared to that of approximately RMB9,669.5 million as at 31 December 2019.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Financial position as at 31 December 2019*

The total assets of the Group was approximately RMB12,379.1 million as at 31 December 2019, representing an increase of 0.05% as compared to that of approximately RMB12,373.5 million as at 31 December 2018.

The total liabilities of the Group was approximately RMB2,709.7 million as at 31 December 2019, representing an increase of 28.65% as compared to that of approximately RMB2,106.2 million as at 31 December 2018.

The total equity of the Group was approximately RMB9,669.5 million as at 30 December 2019, representing a decrease of 5.82% as compared to that of approximately RMB10,267.3 million as at 31 December 2018.

### *Financial position as at 31 December 2018*

The total assets of the Group was approximately RMB12,373.5 million as at 31 December 2018, representing an increase of 107.19% as compared to that of approximately RMB5,972.1 million as at 31 December 2017.

The total liabilities of the Group was approximately RMB2,106.2 million as at 31 December 2018, representing an increase of 8.67% as compared to that of approximately RMB1,938.1 million as at 31 December 2017.

The total equity of the Group was approximately RMB10,267.3 million as at 31 December 2018, representing an increase of 154.52% as compared to that of approximately RMB4,034.0 million as at 31 December 2017.

### ***(b) Information of Ping An***

As stated in the letter from the Board, Ping An is an insurance and financial services group in the PRC with the ability to provide multiple insurance and financial services and products to corporate and retail customers. Ping An is a connected person of the Company under the Listing Rules.

## **2. 2020 Provision of Products and Services Framework Agreement**

### ***(a) Principal terms***

The Company entered into the 2020 Provision of Products and Services Framework Agreement with Ping An on 20 August, 2020, pursuant to which the Company shall provide various types of products and services to Ping An and/or its associates, including, but not limited to, (1) online medical services comprising online consultation, hospital referral and appointment, inpatient arrangement, second opinion services and electronic prescriptions, (2) prepaid cards for purchasing the healthcare products and services,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(3) products in the Company's health mall, which is an online platform offering diversified and evolving products offering, mainly including healthcare products such as medicines, health supplements and medical devices and wellness products such as fitness equipment and accessories and personal care products, and (4) advertising services. Fees shall be paid to the Company by Ping An and/or its associates in respect of the provision of such products and services.

**(b) *Reasons for transaction***

The Group and Ping An Group have the same business development strategic direction, overlapping customer groups and complementary products (the Company's healthcare services are the optimization and enhancement of Ping An Group's insurance products). The Company's online medical services could complement Ping An Group's offline insurance products, forming new portfolios to accommodate more demands of the customers. The cooperation between the Group and Ping An Group will create online and offline synergies and facilitate business improvement and development for both parties. Therefore, the Board expects that the cooperation between the Group and Ping An Group will be continuously deepened and expanded in the future.

The Directors consider that the provision of products and services to Ping An and/or its associates would benefit the Company for the following reasons:

- (i) since the core business of the Company and Ping An Group's insurance business are inextricably linked together in multiple aspects, the Company's businesses and those of Ping An Group are highly complementary and beneficial to each other. In particular, the Company's provision of healthcare services and products and the nature of the Company's principal business is closely associated with the life insurance industry, in which Ping An Group has a leading industry position;
- (ii) in light of the leading position that Ping An enjoys in the PRC insurance industry, it is commercially reasonable and in the best interests of the Company to cooperate with Ping An. In addition, given Ping An has accumulated a relatively large user base during its years of operation in the insurance industry, the Company could further increase its user base through provision of products and services to Ping An and/or its associates, which may further refer the Group's products and services to their clients;
- (iii) as both parties enjoy respective advantages in different business fields, the collaboration may bring synergy between online and offline medical services portals, together with different insurance services and products into full play and share development achievements. For instance, the Company's online medical services and *Private Doctor Membership* will be able to complement the premium life and health insurance products offered by Ping An such that Ping An would be able to customize such products to meet the differentiating

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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needs of its insurance customers, generating additional revenue for the Company and increasing customer reach of the Group. The Group will then be able to leverage on such online reach to customers and advertise its offline medical service and create synergy between its online and offline medical services portals; and

- (iv) the transactions, which will be conducted based on the commercial terms and pricing basis determined based on market rates, could enable the Company to access stable and reliable sales channels and promote the Company's financial performance.

**(c) Pricing policy**

- (i) With respect to the online medical services provided to Ping An and/or its associates, the service fee shall be determined on the cost plus a gross margin ranging from 40% to 55% taking into consideration various commercial factors such as the historical profit margin of such services, the nature, market competitiveness and profitability of the services, substitutability of services in the market, the frequency for the Group to provide such services, the estimated transaction amount and the commercial potential for such services, and shall not be lower than the prices at which the Group provide similar services to Independent Third Parties. For the two years ended 31 December 2019 and the six months ended 30 June 2020, the gross margin of the Group's online medical services provided to Ping An and/or its associates was 40.1%, 44.2% and 54.6% respectively;
- (ii) With respect to the prepaid cards provided to Ping An and/or its associates, the price shall be the par value of the respective prepaid cards;
- (iii) With respect to the products in the health mall provided to Ping An and/or its associates, the price shall be based on the Group's purchasing expense taking into consideration of the Group's expected gross margin ranging from 2% to 18% which is determined according to the categories of the products and is in line with the price of the same products the Group provided to the Independent Third Parties; and
- (iv) With respect to the advertising services provided to Ping An and/or its associates, the service fee shall be (i) fixed fees based on, among others, the position of the advertisement with the purchase volume taken into consideration, or (ii) the revenue/profit sharing rates agreed separately.

The products and services fees the Group charged to Ping An and/or its associates were determined on the basis of arm's length negotiations between the relevant parties, which are in line with market rates and are in the best interests of the Company and the Shareholders as a

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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whole. Reference is also made to the applicable historical prices of products and services to ensure that the terms of supplying products and services including the above pricing policies to Ping An and/or its associates are fair and reasonable.

### *Our view on the pricing policy*

We have reviewed the terms of the 2020 Provision of Products and Services Framework Agreement. Based on our review and advised by the Management, we understand that, as one of the terms of the 2020 Provision of Products and Services Framework Agreement, the fee of products and services to be paid by Ping An and/or its associates will be determined with reference to (i) the market rates; (ii) no less favourable than those provided to Independent Third Parties; and/or (iii) the applicable historical prices of products and services to ensure that the terms of supplying products and services to Ping An and/or its associates are fair and reasonable.

*Online medical services:* We have discussed with the Management and understand that expected gross margin ranging from 40% to 55% of the online medical services provided to Ping An and/or its associates is based on the average of (i) the combined package of online medical services with a fixed expected gross margin and (ii) “Membership Products” (previously known as “Private Doctor”) with a range of expected gross margin.

### *(a) the combined package of online medical services*

As advised by the Management, the combined package of online medical services provided to Ping An and/or its associates is different from that provided to Independent Third Parties. Save for Ping An and/or its associates, the Company did not provide such package to any Independent Third Party and the aforesaid package was considered as an unique service in the market and hence, there was no direct comparison in the past. As such, neither market rate nor fee comparison to the Independent Third Parties are available.

As further advised by the Management, we understand that the Group has determined the pricing of the combined package of online medical services in accordance with its pricing policy (i.e. with reference to (i) the market rates; (ii) no less favourable than those provided to Independent Third Parties; and/or (iii) the applicable historical prices of products and services). The Group has considered the possibility of pricing with reference to the market rates or price offered to the Independent Third Parties, however and as discussed above, due to the fact that the online medical services provided to Ping An and/or its associates were considered as an unique service and there were no market rate and fee comparison to the Independent Third Parties, the Group eventually made reference to the historical price to determine the pricing of online medical services.

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In assessing the fairness and reasonableness of the pricing of the combined package of online medical services, we have reviewed the service agreements in respect of the combined package of online medical services in 2018 and 2019 with a term of two years to 2020 as well as the respective expected budgeting report (setting out, among others, the details of the combined package of online medical services, pricing policy of the combined package of online medical services and expected usage of the combined package of online medical services) in respect of the determination of the service fee for the online medicine services. Under the expected budgeting report, it set out that the relevant costs that were expected to incur for the provision of the online medical services including but not limited to the labour cost and utilities, were included in determining the total expected costs. We further noted that the expected gross profit margin adopted under the respective budgeting report for year 2018, 2019 and 2020 remained the same and the service fee under the service agreements in 2018, 2019 and 2020 are in line with the respective budgeting report. As such, we considered that the pricing for the online medical services, which was reference to the historical price to be in line with the Group's pricing policy and therefore is fair and reasonable.

Based on our discussion with the Management and our review on the aforesaid documents, we consider that the pricing policy for the combined package of online medical services, which is determined with reference to the historical price offered to Ping An Group and/or its associates, is fair and reasonable.

***(b) the "Membership Products"***

In respect of the "Membership Products", we have reviewed a transaction list covering over 30,000 transaction records (setting out the date, product name, product model number and price) to Ping An and/or its associates and Independent Third Parties provided by the Company during six months ended 30 June 2020. As advised by the Management, the said transaction list covers all the transaction records to Ping An and/or its associates and Independent Third Parties during the six months ended 30 June 2020, which is considered to be an exhaustive list and is fair and representative. Based on our review and as advised by the Management, we are given to understand that (i) there are different types of "Membership Products" and are priced at different gross margin and (ii) the unit price of the same type of "Membership Products" sold to Ping An and/or its associates and Independent Third Parties are the same.

Based on our discussion with the Management and our review on the aforesaid transaction list, we consider that the pricing for the "Membership Products", which is determined with reference to the price offered to the Independent Third Parties, is fair and reasonable.

Having considered the above, we consider that the pricing of the online medical services at cost plus a gross margin of ranging from 40% to 55%, being the average of (i) the combined package of online medical services with a fixed expected gross margin and (ii) "Membership Products" with a range of expected gross margin, to be appropriate.



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*Prepaid cards:* We have reviewed a transaction list, covering over 1,000 transaction records, between the Group and Ping An and/or its associates provided by the Company entered into during the six months ended 30 June 2020. As advised by the Management, the said transaction list covers all the transactions between the Group and Ping An and/or its associates and Independent Third Parties during the six months ended 30 June 2020, which is considered to be an exhaustive list and is fair and representative. Based on our review and as advised by the Management, we are given to understand that the unit price of prepaid card was equivalent to the par value, which offered to both Ping An and/or its associates as well as the Independent Third Parties.

Based on our discussion with the Management and our review on the aforesaid transaction list, we consider that the pricing for prepaid cards, which is determined with reference to the price offered to the Independent Third Parties, is fair and reasonable.

*Health Mall:* We have reviewed a transaction list, covering over 70,000 transaction records (setting out the date, product name, product model number and price) provided by the Company to Ping An and/or its associates and Independent Third Parties during June 2020. As advised by the Management, the said transaction list covers all the transactions provided by the Group to Ping An and/or its associates and Independent Third Parties during June 2020 and covers a substantial amount of transaction records, which is considered to be an exhaustive list and is fair and representative. Based on our review and as advised by the Management, we noted that the average unit price of certain products sold to Ping An and/or its associates and Independent Third Parties are the same while the average unit price of certain products sold to Ping An and/or its associates are different. As further advised by the Management, we understand that the (i) the expected gross margin (i.e. ranging from 2% to 18%) of the same products in the health mall offered to both Ping An and/or its associates as well as Independent Third Parties in the health mall are the same and (ii) unit price of the products in the health mall offered to both Ping An and/or its associates as well as Independent Third Parties are the same at the relevant time. However, the Group will provide marketing discount and/or bulk purchasing discount at different time which are available to Ping An and/or its associates as well as Independent Third Parties resulting in the differences of the average unit price of certain products.

Based on our discussion with the Management and our review on the aforesaid transaction list, we consider that the pricing for health mall products, which is determined with reference to the price offered to the Independent Third Parties, is fair and reasonable.

*Advertising services:* As advised by the Management, the Company has entered into 1 advertising agreement with Ping An and/or its associates since the commencement of the 2018 Provision of Products and Services Framework Agreement. The Company will redirect the customers to other application of Ping An and/or its associate through the advertisement and charge a percentage rate of the first usage of the application. As further advised by the Management, the Company also provided advertising services to Independent Third Parties. The Group will display the advertisements on the Group's

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platform and charge a fixed fee based on the position of the advertisement. As the nature of the advertising services provided to Ping An and/or its associates and Independent Third Parties is different, therefore, fee comparison to the Independent Third Parties is not applicable.

We have reviewed the advertising agreement entered into between the Group and Ping An and/or its associates and respective pricing report (setting out, among others, (i) the pricing policy of the advertisement services; (ii) the calculation method of the advertising fee; and (iii) the market price range of similar advertisement services based on the market research conducted by the product department of the Group) provided by the Company. We have enquired with the Management about the said pricing report and understand that the product department of the Group has collected market price data from 5 comparable companies in advertising industry as reference and the product department, finance department and legal department will jointly evaluate the terms under the pricing report. Therefore, we consider the pricing report to be a reliable source for the pricing policy. We are given to understand that the percentage of commission fee charged from the advertising services provided to Ping An and/or its associates would make reference to the pricing research report on market rate. We have reviewed the pricing research report conducted by product department of the Group and noted that the pricing for the advertisement services under the advertising agreement is in line with the aforesaid report.

Based on our discussion with the Management and our review on the aforesaid documents, we consider that the pricing for the advertising services, which is determined with reference to market rates, is fair and reasonable.

***(d) Historical amounts***

The historical amounts for the provision of the above products and services by the Group to Ping An and/or its associates were approximately RMB1,381,300 thousand, RMB2,448,210 thousand and RMB1,159,109 thousand for the two years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

The annual caps for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB1,394.2 million, RMB2,800 million and RMB3,750 million, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 99.07%, 87.44% and 30.91% (\*6-month) respectively.

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*(e) Provision of Products and Services proposed Annual Caps*

In respect of the 2020 Provision of Products and Services Framework Agreement, proposed annual caps for the transaction amount to be paid by Ping An and/or its associates to the Group (the “**Provision of Products and Services Annual Cap**”) for the three years ending 31 December 2023 are set out in the table below:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>		
Transaction amount to be paid by Ping An and/or its associates to the Company	5,000,000	6,400,000	8,700,000

*Basis of caps*

According to the Letter from the Board, the Board determines the above proposed annual caps based on the following reasons:

- (i) the historical transaction amounts and the growth trend for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing products and services provision arrangements between the Company and Ping An and/or its associates;
- (ii) due to the business development of the Group and the diversification of products and services offered by the Group, purchase from Ping An and/or its associates is estimated to increase significantly;
- (iii) as the business of Ping An and/or its associates continues to develop, their business needs of online medical service, prepaid card, consultation and pharmacies services, health check-up service package, *Private Doctor Membership* (a product which provides premium healthcare services and targets high-end customers), *Healthy Workplace Program*, healthcare products related to the fund of the annuity insurance, products in the Company’s health mall and advertising services recorded substantial increase;
- (iv) due to the large customer base of Ping An and/or its associates, the purchase from Ping An and its associates targeted to complement its product offerings is estimated to increase accordingly. Regardless of the development trend or scale of Ping An Group’s profit, the Group plans to achieve business growth by increasing the percentage of Ping An Group’s users who purchase the Group’s

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existing or new products or services. The Board has taken into account the potential market size and cooperation opportunities with Ping An comprising the potential customers of the following products and services:

- a. Consultation and pharmacies services Taking into account the procurement of the consultation and pharmacies services as (i) the regular service under the retail life insurance, (ii) an add-on to the retail auto insurance, and (iii) a complimentary gift for premium retail banking customers, the Board expects that Ping An's retail life insurance customers, retail auto insurance customers and retail banking customers may purchase the consultation and pharmacies services of the Group, whose unit price ranges from RMB30 to RMB100. As disclosed in the 2019 annual report of Ping An, Ping An had approximately 63.00 million retail life insurance customers, 50.23 million retail auto insurance customers, and 69.25 million retail banking customers as at 31 December 2019. It is also expected that the respective numbers of the above customers of Ping An would continue to grow for the three years ending 31 December 2023 under the average growth rate of the past two years ended 31 December 2019 at 12.55%.
  
- b. *Healthy Workplace Program* The Group launched a new product under the *Private Doctor Membership*, namely *Healthy Workplace Program*, and the Board expects that Ping An may purchase *Healthy Workplace Program* for its employees which amounted to 372,194 as at 31 December 2019 as disclosed in Ping An's 2019 annual report, as part of their welfare packages offered by Ping An. The unit prices of *Healthy Workplace Program* package that suits the needs of Ping An's employees range from RMB300 to RMB400.
  
- c. Healthcare products related to the fund of the annuity insurance The fund of Ping An's annuity insurance comprising the corporate customers' funds, which is primarily used by the corporate customers for the procurement of healthcare products for their respective employees, might make procurement of healthcare products from the Group.

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- d. Outpatient products      The Board expects that Ping An's retail life insurance customers may purchase the outpatient products of the Group, whose unit price ranges from RMB120 to RMB200. As disclosed in the 2019 annual report of Ping An, Ping An had approximately 63.00 million retail life insurance customers. It is also expected that the base of Ping An's retail life insurance customers would continue to grow at the average growth rates in the past two years ended 31 December 2019 and the six months ended 30 June 2020.
- (v) the estimated growth in the overall revenue of the Company due to the positive policies on the Social Health Insurance (SHI) payment including the Notice on Properly Providing Online Medical Consultation Services in Pandemic Prevention and Control and the Guidelines on Promoting the Development of "Internet+" Social Health Insurance Services during the COVID-19 Prevention and Control issued by the National Health Commission and the National Healthcare Security Administration in February and March 2020. These policies specified that the online follow-up services for common and chronic diseases provided by qualified Internet healthcare service providers for the Social Health Insurance (SHI) participants can be included into the SHI Payment in accordance with local regulations. The model of SHI payment is that SHI will cover part of the online medical expenses and the individuals will only need to pay the rest. As the SHI payment is currently being set up and negotiated, the Board believes that the positive policies and the launch of SHI payment will broaden the services of the Company and therefore increase its revenue;
- (vi) the potential increase of unit prices of certain products (including the online medical services and the products in the Company's health mall) subject to the actual cost, popularity of the products and sales volume of the products of the Group in the three years ending 31 December 2023; and
- (vii) the transaction amount to be paid by Ping An and/or its associates to the Company is expected to grow in line with the business development of the Company, and in line with the growth of demand generated by Ping An's continually expanding customer base, which has been demonstrated by the high utilization rates of annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020.

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### *Overview on the annual cap for the year ending 31 December 2020*

For the two years ended 31 December 2018 and 2019, the historical aggregate transaction amount for provision of products and services contemplated under the 2018 Provision of Products and Services Framework Agreement between the Group and Ping An and/or its associates was RMB1,381,300 thousand and RMB2,448,210 thousand representing approximately 99% and 87% of the revised annual cap as set out in the 2019 Circular.

As advised by the Management, the historical aggregate transaction amount for the six months ended 30 June 2020 between the Group and Ping An and/or its associates was approximately RMB1,159,109 thousand, representing an average monthly transaction amount of approximately RMB193,185 thousand. Based on the aforesaid average monthly transaction amount, the estimated transaction amount for the year ended 31 December 2020 would be approximately RMB2,318,220 thousand, representing 61.82% of the annual cap for the year ending 31 December 2020.

We have discussed with the Management and understand that:

- (i) the outbreak of global corona virus pandemic has affected the business operations of the Group and Ping An and/or its associates in a large extent and result in a substantial decrease in products and services provided by the Group to Ping An and/or its associates in the first half of year 2020. The Management expects that the Group will catch up the co-operations with Ping An and/or its associates in the second half of the year as the corona virus pandemic has started to be stabilized; and
- (ii) the Company launched four new products, namely consultation and pharmacies services, healthcare products related to the fund of the annuity insurance, healthy workplace program and outpatient products in June 2020 (the “**New Products**”). The Management believes that the New Products can complement and integrate with the existing products and services of Ping An and/or its associates, the demand from Ping An and/or its associates on the New Products would be potentially high.

As advised by the Management, it is believed that the transaction amount for the year ending 31 December 2020 could reach RMB3,375,000 thousand, representing approximately 90% of the revised annual cap for the year ending 31 December 2020, based on the assumptions that (i) the Group would catch up the business operations in the second half of 2020 as the corona virus pandemic has started to stabilize; (ii) the New Products launched in June 2020 which would complement and integrate with the existing products and services of Ping An and/or its associates; and (iii) the utilization rate of the annual cap for the year ending 31 December 2020 is expected to reach 90%, estimated with reference to the historical utilization rate of 99% and 87% of the annual cap for the two years ended 31 December 2019 respectively.

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### *Our view on the proposed annual cap for the three years ending 31 December 2023*

We noted that the annual growth rate of the Provision of Products and Services Annual Cap was approximately 33.33%, 28% and 35.94% for the year ending 31 December 2021, 2022 and 2023 respectively as compared to the previous annual cap.

In assessing the reasonableness of the aforesaid annual growth rate, we have discussed with the Management and understand that the Provision of Products and Services Annual Cap for the three years ending 31 December 2023 are determined with reference to the following:

1. Historical transaction amounts with Ping An and/or its associates

The historical aggregate transaction amount for the three years ended 31 December 2019 for provision of products and services contemplated under the 2018 Provision of Products and Services Framework Agreement between the Group and Ping An and/or its associates was RMB1,108,285 thousand, RMB1,381,300 thousand and RMB2,448,210 thousand respectively, representing an average annual growth rate of approximately 50.94%.

On the assumption that the estimated transaction amount for the year ending 31 December 2020 is 3,375,000 thousand (as discussed above), and considering the historical aggregate transaction amount for the for the two years ended 31 December 2019 for provision of products and services contemplated under the 2018 Provision of Products and Services Framework Agreement between the Group and Ping An and/or its associates, the average annual growth rate is estimated to be approximately 57.55%.

2. Business development and increase in diversification in products and services.

The Group has continued to increase its number of product varieties and service providers.

As at 31 December 2019, the Group collaborated with nearly 1,400 merchants and offered approximately 1,313,000 products in the health mall, representing an increase of approximately 55.56% of merchants and approximately 114.19% of products compared to that of 2018.

For the in-house medical team and external doctors, as at 31 December 2019, the Group had 1,409 in-house medical staff members and 5,381 contracted renowned external doctors, representing an increase of approximately 17.81% and 3.42% compared to that of 2018.

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For the offline healthcare services, as at 31 December 2019, the Group's offline healthcare provider network comprised approximately 430 traditional Chinese medicine clinics, 2,000 check-up centers, 1,800 dental clinics, and 150 medical beauty clinics, representing an increase of approximately 1,360 providers as compared to that of 2018.

The Group has continued to increase its number of product varieties and service providers in the past two years. In view of the business development and increase in diversification of products and services provided by the Group, it is expected that the Group's products and services can further fulfil the needs of Ping An and/or its associates and the demand of products and services from Ping An and/or its associates would increase accordingly.

### 3. Launch of new products

The Company launched four New Products, namely consultation and pharmacies services, healthcare products related to the fund of the annuity insurance, healthy workplace program and outpatient products in June 2020. As (i) Ping An and/or its associates have a well-established customer base and considerable amount of employees; (ii) the New Products can complement and integrate with the existing products and service of Ping An and/or its associates, the Management believes that the demand from Ping An and/or its associates on the New Products would be potentially high.

### 4. Increase in unit price of the products

The Group intends to increase the unit prices of certain products provided to Ping An and/or its associates for the three years ending 31 December 2023.

According to the statistic of International Monetary Fund, the inflation rate of the PRC for 2019 was 2.9% and expected to be approximately 3% and 2.6% in 2020 and 2021. As advised by the Management, the increase in the unit prices of the products and service are expected to be adjusted with reference to the inflation rate of the PRC.

### 5. Industry prospect of the PRC healthcare services sector

We have researched from the public domain as to the outlook of the healthcare services sector in the PRC. According to the 《“十三五”衛生與健康規劃》(13th Five-Year Plan for Healthcare\*) announced by The State Council of the PRC in December 2016, the development of healthcare services sector was listed as a priority of the PRC Government. The PRC Government has encouraged the engagement of healthcare services providers by creating a more favorable policy environment for healthcare industry. The PRC healthcare services industry has experienced rapid growth in recent years and with reference to the section headed



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“Industry Overview” of the Prospectus, the market size of the PRC general health and wellness industry reached RMB8.6 trillion in 2016, and is expected to increase to RMB26.8 trillion in 2026, at a CAGR of 12.0%.

In 2019, the State Council of the PRC published 《關於印發深化醫藥衛生體制改革2019年重點工作任務的通知》(Notice of the Key Task of Deepening the Reform of Medical and Healthcare System in 2019\*) and the National Healthcare Security Administration published 《關於完善「互聯網+」醫療服務價格和醫保支付政策的指導意見》(Guidelines on Optimizing Prices of “Internet +” Medical Services and Social Health Insurance (SHI) Payment Policies\*) to promote and improve internet healthcare. The sustainable government policy and expansion of healthcare sector are favourable to the development and rapid expansion of Internet Healthcare industry.

In view of the rapid growth of the healthcare services sector in the PRC, it would benefit the development of Ping An and/or its associates, and therefore may further strengthen the needs of the Group’s products and services from Ping An and/or its associates.

Taking into account the above, we are of the view that the Provision of Products and Services Annual Cap for the three years ending 31 December 2023 are fair and reasonable.

### **3. 2020 Services Purchasing Framework Agreement**

#### *(a) Principal terms*

The Company entered into the 2020 Services Purchasing Framework Agreement with Ping An on 20 August, 2020, pursuant to which Ping An and/or its associates shall provide a wide spectrum of services to the Group, including but not limited to consulting services, business promotion services, outsourcing services relating to finance, human resources and administration matters, insurance services, online traffic re-directing services and customer referral services. The Group shall, in return, pay service fees to Ping An and/or its associates. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

#### *(b) Reasons for transaction*

Since its establishment, the Company has been purchasing a variety of services from Ping An and/or its associates to satisfy its business and operational needs. Owing to the strategic business relationship, Ping An and/or its associates has acquired a comprehensive understanding of the Group’s business and operational requirements and established a foundation for mutual trust. Taking into consideration the Group’s previous purchasing experience with Ping An and/or its associates, the Group believes that Ping An

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and/or its associates is capable of fulfilling the Group's demands efficiently and reliably with a stable and high-quality supply of services, and entering into the 2020 Services Purchasing Framework Agreement would minimize disruption to the Company's operation and internal procedures. In addition, it would be more cost-effective for the Company to outsource procedural and commoditized work to Ping An and/or its associates rather than maintain its own headcounts for processing such work.

The Group and Ping An Group have the same business development strategic direction, overlapping customer groups and complementary products (the Company's healthcare services are the optimization and enhancement of Ping An Group's insurance products). The Company's online medical services could complement Ping An Group's offline insurance products, forming new portfolios to accommodate more demands of the customers. The cooperation between the Group and Ping An Group will create online and offline synergies and facilitate business improvement and development for both parties. Therefore, the Board expects that the cooperation between the Group and Ping An Group will be continuously deepened and expanded in the future.

### *(c) Pricing policy*

Taking into consideration the estimated transaction amount, the services fees to be paid by the Group to Ping An and/or its associates under the 2020 Services Purchasing Framework Agreement will be determined (1) through bidding procedures according to the internal rules and procedures of the Company. The Company will compare the fees rates offered by other Independent Third Parties as well as accessing its business needs and the relevant qualifications/experience of the bidders in providing such services before determining the service fee rate for the transactions under the 2020 Services Purchasing Framework Agreement; and (2) if no tendering and bidding process is required under the Group's internal rules, through arm's length negotiations between the parties based on the historical fees of such services, the nature of the services, the frequency for providing such services by Ping An and/or its associates and comparable market rates. The pricing terms under the 2020 Services Purchasing Framework Agreement will be no less favorable to the Company than terms of services available to Independent Third Parties (if applicable), and the services fees are in line with or lower than market rates and is in the best interests of the Company and the Shareholders as a whole.

### *Our view on the pricing policy*

We have reviewed the aforesaid internal rules and procedures regarding the bidding. As further discussed with the Management, we understand that, under the aforesaid internal rules and procedures, the fee of products and services from Ping An and/or its associates will be determined: (i) in case of large amount transaction, the Company will conduct a tender to select the most competitive supplier; and (ii) in case of small amount transaction, the pricing terms will be determined with reference to (a) the market rates;

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(b) no less favourable than those provided to Independent Third Parties; and/or (c) the applicable historical prices of products and services to ensure that the terms of providing products and services by Ping An and/or its associates are fair and reasonable.

As advised by the Management, since the commencement of the 2018 Services Purchasing Framework Agreement, no tender has been conducted regarding the services provided by Ping An and/or its associates under the service purchasing framework agreement. We have reviewed 4 service and product agreements in 2019 (the “**Service and Product Agreements**”) provided by the Group which were extended to 2020, representing all the service and products agreements entered into by the Group and Ping An and/or its associate, as advised by the Management, which is considered to be an exhaustive list of samples and are fair and representative. Based on our review on the Service and Product Agreements and as advised by the Management, we were given to understand that the pricing for the services and products were based on cost plus gross profit margin and for purpose of determining the price for the services and products, the Company would make reference to the pricing research reports on pricing of Independent Third Parties conducted by Ernst & Young, an independent professional party. We have been provided and reviewed the relevant pricing research reports as conducted by Ernst & Young (the “**EY Pricing Report(s)**”). Under each of the EY Pricing Report, a list of market comparables (around 13 to 18 market comparables) were selected by Ernst & Young based on criteria of including but not limited to (i) natures of products and services; (ii) business natures; and (iii) geographical locations of the comparable companies in performing the pricing analysis. Based on the EY Pricing Reports and the Service and Products Agreements, we noted that the pricing for the services and products, which were based on cost plus profit margin, are in line with that of the market comparables.

Based on our discussion with the Management and our review on the EY Pricing Reports, we consider that the pricing for the products and services purchased from Ping An and/or its associates, which is determined with reference to the market comparables, is fair and reasonable.

**(d) Historical amounts**

The transaction amounts paid by the Group to Ping An and/or its associates in respect of the above services were approximately RMB104,700 thousand, RMB251,460 thousand and RMB315,323 thousand for the two years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

The annual caps for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB135.88 million, RMB400 million and RMB600 million, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 77.05%, 62.87% and 52.55% (\*6-month) respectively.

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*(e) Services Purchasing proposed Annual Caps*

In respect of the 2020 Services Purchasing Framework Agreement, proposed annual caps for the transaction amounts to be paid by the Group to Ping An and/or its associates for the three years ending 31 December 2023 (the “**Services Purchasing Annual Cap**”) are set out in the table below:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>		
Transaction amount to be paid by the Group to Ping An and/or its associates	890,000	1,260,000	1,638,000

*Basis of caps*

According to the Letter from the Board, the Board determines the above proposed annual caps based on the following reasons:

- (i) the historical transaction amount and the growth trend for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing service purchase arrangement between the Company and Ping An and/or its associates;
- (ii) due to the expected significant growth in the Group’s operational scale in the three years ending 31 December 2023, the Group’s needs for services such as consulting service, insurance service and business promotion services to be provided by Ping An and/or its associates in supporting the Group’s business operation are expected to grow, taking into account (i) the historical growth of our existing products, including but not limited to the membership products which generated revenues of over RMB420 million in total in the first half of 2020, representing an increase of over 200% year-on-year, (ii) the Group’s sales target of the Group’s existing products; and (iii) the estimated sales scale of the new products and services of the Group including but not limited to the consultation and pharmacies services, *Healthy Workplace Program*, healthcare products related to the fund of the annuity insurance and outpatient products; and
- (iii) the expected increase of service fee to be charged by Ping An and/or its associates due to the estimated increase of cost of labour for the provision of services by Ping An and/or its associates.

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### *Overview on the annual cap for the year ending 31 December 2020*

As advised by the Management, the historical aggregate transaction amount for six months ended 30 June 2020 between the Group and Ping An and/or its associates was approximately RMB315,323 thousand, representing an average monthly transaction amount of approximately RMB52,554 thousand.

Based on the aforesaid average monthly transaction amount, the estimated transaction amount for the year ended 31 December 2020 would be approximately RMB630,648 thousand, representing over 100% of the revised annual cap as set out in the 2019 Circular. The aforesaid estimated transaction amount is purely an annualized figures and we understand from that the Management that the Group will closely monitor and ensure that the revised annual cap of RMB600 million for the year ended 31 December 2020 will not be exceeded. We noted that the estimated utilization rate of the revised annual cap for the year ended 31 December 2020 recorded a substantial growth as compared to that of 77.05% and 62.87% for the year ended 31 December 2018 and 2019 which is mainly attributable to, among others (i) the expansion of operation scale of the Group and (ii) the launch of “Private Doctor” in June 2019.

### *Our view of the annual cap for the three years ending 31 December 2023*

We noted that the annual growth rate of the Services Purchasing Annual Cap was approximately 48.33%, 41.57% and 30% for the year ending 31 December 2021, 2022 and 2023 respectively as compared to the previous annual cap.

In assessing the reasonableness and fairness of the aforesaid annual growth rate, we have discussed with the Management and understand that Services Purchasing Annual Cap for the three years ending 31 December 2023 are determined with reference to the following basis:

(a) Historical transaction amounts with Ping An and/or its associates

The historical aggregate transaction amount for the three years ended 31 December 2019 for services purchased contemplated under the 2018 Services Purchasing Framework Agreement between the Group and Ping An and/or its associates was RMB55,031 thousand, RMB104,700 thousand and RMB251,460 thousand respectively, representing an average annual growth rate of 115.22%.

Base on the assumption that the estimated transaction amount for the year ended 31 December 2020 is approximately RMB600,000 thousand (as discussed above), and considering the historical transaction amount for two years ended 31 December 2019 for service purchased under the Provision of Services Purchasing Framework Agreement between the Group and Ping An and/or its associates, the average growth rate is estimated to be approximately 139.39%.

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(b) Expected growth in the operational scale of the Group

The Group's Internet Healthcare Platform is one of the largest platform in the PRC in terms of the number of average monthly active users and daily average online consultations, with reference to the section headed "Business" of the Prospectus and the 2019 Annual Report, as at 31 December 2016, 2017, 2018 and 2019, the Internet Health Platform of the Group had 131.5 million, 192.8 million, 265.2 million and 315.2 million registered users, with an average annual growth rate of 34.34% for the period between 2016 to 2019. The average daily online consultations in 2019 increased by 36.3% to 729,000 as compared to that of 2018. The monthly active users and monthly paying users in 2019 grew by 22.3% and 26.0% over the same period of 2018 to 66.9 million and 3.0 million respectively. Therefore, it is expected that the Group intend to engage in further cooperation in various aspects with more subsidiaries/associates of Ping An. The Management therefore considers that the business of the Group will continuous to grow rapidly and therefore would require more services from Ping An and/or its associates.

(c) Launch of new product

The Group launched four New Products in June 2020. With the considerable customers bases of Ping An and/or its associates, the Management believes that there is much room for further cooperation between the Group and Ping An and/or associates on marketing and distribution on the new products through the channels of Ping An and/or its associates.

(d) Increase in labour cost of Ping An and/or its associates

According to the statistic published by the National Bureau of Statistics of China, the average wage of employed persons in urban units for 2017, 2018 and 2019 are RMB74,318, RMB82,413 and RMB90,501, representing an average annual growth rate of 10.35%. The service fee to be charged by Ping An and/or its associates is expected to increase accordingly.

Taking into account the above, we are of the view that the Services Purchasing Annual Cap for the three years ending 31 December 2023 are fair and reasonable.

#### **4. 2020 Financial Service Framework Agreement**

*(a) Principal terms*

The Company entered into the 2020 Financial Service Framework Agreement with Ping An on 20 August 2020, pursuant to which Ping An Bank shall provide deposit service, and Ping An and/or its associates shall provide wealth management service to the Group. For the deposit service provided, the Group deposits cash into the bank accounts of the Group at Ping An Bank, including cash generated from the Group's daily business

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operations, the proceeds generated from the financing activities of the Group and the net proceeds received from the global offering of the Company. In return, Ping An Bank shall pay deposit interests to the Group. In respect of the wealth management service, the Group purchases wealth management products from Ping An and/or its associates and receive investment income in return.

*(b) Reasons for the transaction*

As Ping An and/or its associates have been providing deposit service and wealth management service to the Group during the Track Record Period, it has developed a deep understanding of the Group's capital structure, business operations, funding needs and cash flow patterns, which facilitates the provision of expedient and efficient services. Therefore, Ping An and/or its associates are well-positioned to provide the Group with customized financial services.

*(c) Pricing policies*

*Deposit service*

Interest rates for the deposits placed by the Group with Ping An Bank will not be lower than: (i) the interest rate published by the PBOC for deposits of a similar type for the same period, (ii) the interest rate for deposits of a similar type for the same period placed by Independent Third Parties, or (iii) the interest rate for deposits of a similar type for the same period offered by independent commercial banks to the Group and its subsidiaries. Such interest rates are in line with market rates and are in the best interests of the Company and its Shareholders as a whole.

*Wealth management service*

The investment income to be received by the Group from the purchase of wealth management products from Ping An Bank will be: (i) subject to the benchmark fee (if applicable) for similar types of wealth management products published by PBOC or CBIRC from time to time, (ii) comparable to, or no less favorable to the Group than the average investment income rates (if applicable) offered by independent commercial banks or financial institutions for similar types of wealth management products, and (iii) based on the investment income rates for the wealth management products offered by Ping An Bank, which will apply to all purchasers of such wealth management products, including the Company and any Independent Third Parties.

*Our view on the pricing policy*

*Deposit service:* As advised by the Management, the deposits placed by the Group with Ping An Bank comprised of (i) one year agreement deposits; and (ii) time deposit (collectively, the “**Deposits**”). We have reviewed a transaction list covering 29 deposits placed by the Group with Ping An Bank and independent commercial banks provided by

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the Company for the six months ended 30 June 2020. As advised by the Management, the said transaction list covers all the deposits placed with Ping An Bank and the Independent Third Parties during the six months ended 30 June 2020, which is considered to be an exhaustive list of samples and are fair and representative.

*(a) One year agreement deposits*

In respect of the one year agreement deposits, based on our review, we noted that the Ping An Bank offered an interest rate of 1.61% to 1.725% per annum based on the PBOC agreement deposit rate of 1.15% with a margin ranging from 40% to 50% for the deposits. We also noted that the independent commercial banks offered an interest rate of approximately 1.15% to 1.495% per annum based on the PBOC agreement deposit rate of 1.15% with a margin ranging from 0% to 30% for the deposits.

*(b) Time deposits*

In respect of the time deposits, the Group has placed only one time deposit with Ping An Bank for the six months ended 30 June 2020, the period of such time deposit was three months. Based on our view and as advised by the Management, we noted that the Group did not place any time deposit with independent commercial banks with similar period and the Group determined the placing of deposits with reference to the interest rate offered by the independent commercial banks and Ping An Bank. We have further discussed with the Management and are given to understand that before placing the deposits with Ping An Bank, the Group quoted the terms of time deposits with similar period from 2 independent commercial banks/financial institutions at the relevant time, of which the interest rate of the time deposits from independent commercial banks were less favourable than Ping An Bank with similar period.

Based on our discussion with the Management and our review on the aforesaid transaction records, we consider that the pricing for the Deposits, which is determined with reference to the market rate or interest rate offered by the independent commercial banks, is fair and reasonable.

*Wealth management service:* As advised by the Management, the wealth management products purchased by the Group from Ping An Bank comprised of (i) structural deposit products (i.e. exchange rate-linked or interest rate-linked structural deposit products); (ii) debt investment products; and (iii) fund products (collectively, the “**Wealth Management Products**”). We have reviewed a transaction list covering 43 Wealth Management Products purchased from Ping An Bank and independent commercial banks or financial institutions provided by the Company for the six months ended 30 June 2020, which is considered to be an exhaustive list and is fair and representative.



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*(a) Structural deposit products*

In respect of the structural deposit products, as advised by the Management, the Group considered and assessed the interest rate-linked structural deposit products and exchange rate-linked structural deposit products as same nature product, as they were believed to have the same features, such as (i) similar period; (ii) similar return pattern due to positive correlation between interest rate and exchange rate; and (iii) similar risk rating. Based on our view and as advised by the Management, the period of the structural deposit products purchased from Ping An and/or its associates included 30 to 34 days and 90 to 94 days.

In respect of the structural deposit products with a period of 30 to 34 days, based on our review of the aforementioned transaction list and as advised by the Management, we noted that the Group did not purchase any structural deposit products from independent commercial banks with similar period and the Group determined the purchase of wealth management products with reference to the investment income offered by the independent commercial banks and Ping An Bank. We have further discussed with the Management and are given to understand that before purchasing the products from Ping An and/or its associates, the Group quoted the terms of structural deposit products with similar period from 4 independent commercial banks/financial institutions at the relevant time, of which the investment income of the structural deposit products from independent commercial banks were less favourable than Ping An Bank with similar period.

In respect of the structural deposit products with a period of 90 to 94 days, based on our review of the aforementioned transaction list and as advised by the Management, we were given to understand that the investment income of structural deposit products from Ping An bank is no less favourable than the investment income of structural deposit products from independent commercial banks with similar period at the relevant time.

*(b) Debt investment products*

In respect of the debt investment products, the Group has purchased only one debt investment product from Ping An Bank for the six months ended 30 June 2020, the period of such debt investment product was one year. Based on our review of the aforementioned transaction list and as advised by the Management, we noted that the Group did not purchase any debt investment products from independent commercial banks with similar period and the Group determined the purchase of wealth management products with reference to the investment income offered by the independent commercial banks and Ping An Bank. We have further discussed with the Management and are given to understand that before purchasing the products from Ping An and/or its associates, the Group quoted the terms of similar wealth management products with similar period from 2 independent commercial banks/financial institutions at the relevant time, of which the investment income of similar wealth management products from independent commercial banks were less favourable than Ping An Bank with similar period.

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### *(c) Fund products*

In respect of the fund products, the Group has purchased only one fund product from Ping An Bank for the six months ended 30 June 2020, the period of such fund product was 180 days. Based on our review of the aforementioned transaction list and as advised by the Management, we noted that the Group did not purchase any fund product from independent commercial banks with similar period and the Group determined the purchase of wealth management products with reference to the investment income offered by the independent commercial banks and Ping An Bank. We have further discussed with the Management and are given to understand that before purchasing the products from Ping An and/or its associates, the Group quoted the terms of fund products with similar period from 2 independent commercial banks/financial institutions at the relevant time, of which the investment income of the fund products from independent commercial banks were less favourable than Ping An Bank with similar period.

Based on our discussion with the Management and our review on the aforesaid transaction records, we consider that the pricing for the Wealth Management Products, which is determined with reference to the market rate or investment income offered by the independent commercial banks, is fair and reasonable.

### *(d) Historical amounts*

In respect of the deposit service provided by Ping An Bank to the Group, the maximum daily balance of deposit placed by the Group with Ping An Bank were approximately RMB8,496,040 thousand, RMB5,935,280 thousand, and RMB2,383,727 thousand and the interest income received by the Group from Ping An Bank was RMB100,530 thousand, RMB92,440 thousand and RMB24,438 thousand, for the two years ended 31 December 2019 and the six months ended 30 June 2020, respectively.

The annual caps of the maximum daily balance of deposit for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB13,819,120 thousand, RMB13,819,120 thousand and RMB13,819,120 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 61.48%, 42.95% and 17.25% (\*6-month) respectively. The annual caps of the interest income in respect of the deposit service for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB414,574 thousand, RMB414,574 thousand and RMB414,574 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 24.25%, 22.30% and 5.89% (\*6-month) respectively.

In respect of the wealth management service provided by Ping An and/or its associates to the Group, the maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates were approximately RMB536,780 thousand, RMB3,324,220 thousand and RMB3,256,382 thousand,

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respectively, and the investment income received by the Group from Ping An and/or its associates was RMB7,720 thousand, RMB17,900 thousand and RMB58,115 thousand, respectively, for the two years ended 31 December 2019 and the six months ended 30 June 2020.

The annual caps of the maximum daily balance of the wealth management products for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB11,055,296 thousand, RMB11,055,296 thousand and RMB11,055,296 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 4.86%, 30.07% and 29.46% (\*6-month) respectively. The annual caps of the investment income in respect of the wealth management service for the two years ended 31 December 2019 and the year ending 31 December 2020 are RMB497,489 thousand, RMB497,489 thousand and RMB497,489 thousand, respectively. The utilization rates of the historical annual caps for the two years ended 31 December 2019 and the six months ended 30 June 2020 are 1.55%, 3.60% and 11.68% (\*6-month) respectively.

**(e) Financial Service Proposed Annual Caps**

In respect of the 2020 Financial Service Framework Agreement, the maximum daily balance of deposits to be placed by the Group with Ping An Bank, the deposit interest income received by the Group from Ping An Bank, the maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates and the investment income to be received by the Group from Ping An and/or its associates for the three years ending 31 December 2023 (collectively, the “**Financial Service Annual Caps**”) shall not exceed the respective proposed annual caps as set out in the table below:

	<b>Proposed annual caps for the year ending</b>		
	<b>31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<i>(RMB in thousands)</i>		
<b>Deposit Service</b>			
Maximum daily balance of deposits to be placed by the Group with Ping An Bank	10,000,000	10,000,000	10,000,000
Interest income to be received by the Group from Ping An Bank	320,000	320,000	320,000
<b>Wealth Management Service</b>			
Maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates	10,000,000	10,000,000	10,000,000
Investment income to be received by the Group from Ping An and/or its associates	450,000	450,000	450,000

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Basis of caps*

#### *Deposit Service – Maximum daily balance of deposits to be placed by the Group with Ping An Bank*

The above proposed annual caps for the maximum daily balance of deposits to be placed by the Group with Ping An Bank are determined with reference to the following basis:

- (i) the historical amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing deposit services arrangements;
- (ii) the current and expected future cash flow position of the Company in light of the Group's estimated scale of business operation and demand for deposit services in the future with reference to the total available funds of the Company as at 30 June 2020, which were RMB9,140.7 million; and
- (iii) assuming that the Company could utilize all its total available funds for the deposit service or the wealth management service at some time in the three years ending 31 December 2023, the Company determined the annual caps of both the maximum daily balance of deposit and the wealth management products taking into account (a) the total available funds of the Company as at 30 June 2020, and (b) the estimated increase of the total available funds of the Company.

#### *Deposit Service – Interest income to be received by the Group from Ping An Bank*

In respect of the deposit service to be provided by Ping An Bank to the Group, the above proposed annual caps for the interest income to be received by the Group from Ping An Bank are determined based on the expected interest rates of approximately 3.2% of the Group's outstanding deposit amount, which is in line with prevailing market rates.

#### *Wealth Management Service – Maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates*

In respect of the wealth management products to be purchased by the Group from Ping An and/or its associates, the above proposed annual caps for the maximum daily balance of the wealth management products are determined with reference to the following:

- (i) the historical transaction amounts for the two years ended 31 December 2019 and the six months ended 30 June 2020 under the existing wealth management services arrangements;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the expected volume of deposit to be placed with Ping An and/or its associates with certain reserve for liquidity purposes with reference to the total available funds of the Company as at 30 June 2020, which were RMB9,140.7 million. Taking into consideration the Company's future treasury policy, which balances the Company's working capital and liquidity needs as well as its investment in wealth management products to increase its investment income, it is currently expected that the Company may purchase wealth management products from Ping An and/or its associates with up to 100% of its deposit with Ping An Bank; and
  
- (iii) assuming that the Company could utilize all its total available funds for the deposit service or the wealth management service at some time in the three years ending 31 December 2023, the Company determined the annual caps of both the maximum daily balance of deposit and the wealth management products taking into account (a) the total available funds of the Company as at 30 June 2020, and (b) the estimated increase of the total available funds of the Company.

*Wealth Management Service – Investment income to be received by the Group from Ping An and/or its associates*

The above proposed annual caps for the investment income to be received by the Group from Ping An and/or its associates are determined based on the expected return rate of approximately 4.5% for the wealth management service provided by Ping An and/or its associates, which is in line with prevailing market rates. The Group's decisions on the investment products of Ping An Bank are based on risk and return analysis under the Group's treasury policy, as well as an analysis of suitable and comparable products available in the market.

*Our view of the annual cap on the maximum daily balance of deposits to be placed by the Group with Ping An Bank and maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates for the three years ending 31 December 2023*

As advised by the Management, the aggregate amount of maximum daily balance of deposits to be placed by the Group with Ping An Bank and maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates (the “**Aggregate Financial Service Annual Cap**”) should not exceed RMB10,000,000 thousand.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We noted that the aggregate amount of maximum daily balance of deposits to be placed by the Group with Ping An Bank and maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates for the two years ended 31 December 2019 and six months ended 30 June 2020 was RMB9,032,820 thousand, RMB9,259,500 thousand and RMB5,640,109 thousand respectively.

We have also discussed with the Management and given to understand that the Group has total available funds of over RMB9,140,700 thousand, consisting of (i) cash and cash equivalents of RMB4,217,265 thousand; (ii) terms deposits of RMB799,418 thousand; (iii) equity investments of RMB1,576,223 thousand; and (iv) debts investment of RMB2,547,842 thousand as at 30 June 2020 as extracted from the 2020 interim result announcement. We noted that the Aggregate Financial Service Annual Cap of RMB10,000,000 thousand represents a buffer of approximately 8.59% as compared to the total available funds of over RMB9,140,700 thousand. We have discussed with the Management and are given to understand that such 8.59% buffer (or approximately RMB859,300 thousand) has taken into account of (i) the average interest and investment income of approximately 2.98% of the respective total available funds for the two years ended 31 December 2019, on the basis of (a) the aforesaid average interest and investment income of approximately 2.98% and (b) the total available funds of approximately RMB9,140,700 thousand, the estimated aggregate interest and investment income would be approximately RMB272,000 thousand per annum or RMB816,000 thousand for the three years ended 31 December 2023; (ii) the possible fundraising activities in the future; (iii) the cash to be generated from the Group's daily business operations in the coming years in view of the improving financial performance of the Group with an increase in revenue and decrease in net loss for three consecutive years ended 31 December 2019; and (iv) the proceeds to be generated from any possible financing activities of the Group in the future. Therefore, we are of the view that the annual cap on the maximum daily balance of deposits to be placed by the Group with Ping An Bank and maximum daily balance of the wealth management products purchased by the Group from Ping An and/or its associates for the three years ending 31 December 2023 are fair and reasonable.

*Our view of the annual cap of the interest income to be received by the Group from Ping An Bank and the investment income to be received by the Group from Ping An and/or its associates*

In assessing the reasonableness and fairness of the annual cap of the interest income to be received by the Group from Ping An Bank, we have discussed with the Management and are given to understand that annual caps for the interest income to be received by the Group of approximately 3.2% is determined with reference to the highest historical interest rate of approximately 3.41% per annum of the term deposits provided to the Group from Ping An Bank for the year ended 31 December 2019 and six months ended 30 June 2020. As advised by the Management, save for agreement deposits, the Company also placed term deposits in Ping An Bank for treasury management. In order to maintain a higher flexibility for the treasury management, the Management therefore make reference to the term deposits, which has higher interest rate, to determine the annual cap for the interest income to be received by the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the reasonableness and fairness of the annual cap of the investment income to be received by the Group from Ping An and/or its associates, we have discussed with the Management and are given to understand that annual caps for the investment income to be received by the Group of approximately 4.5% is determined with reference to the highest range of expected investment income of approximately 4.75% per annum provided to the Group from Ping An Bank six months ended 30 June 2020.

Taking into account the above, we are of the view that the Financial Service Annual Caps for the three years ending 31 December 2023 are fair and reasonable.

### 5. Internal Control Measures

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to the Group than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- (i) the Company has adopted and implemented a management system on connected transactions. Under such system, the audit and risk management committee under the Board is responsible for the review on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit and risk management committee under the Board, the Board and various internal departments of the Company (including but not limited to the finance department and compliance department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- (ii) the audit and risk management committee under the Board, the Board and various internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. The Board will also monitor the aggregate amount of all the continuing connected transactions between the Group and Ping An Group and control the aggregate amount under the continuing transactions as a percentage of the Company's total revenue to a relatively stable level. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- (iii) the Company's independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) when considering the rents, service fees, and other fees provided by the Group to the above connected persons, the Company will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Company and independent third parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to independent third parties.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the Management, we noted that (i) the finance department analyses the data of those continuing connected transactions quarterly (including quarterly transaction amounts and cumulative amounts) to ensure the compliance of the pricing terms and policy and it also monitors and reports the transaction amounts under the relevant agreements on a monthly basis; (ii) the legal department will evaluate the terms under the agreements for the continuing connected transactions and it also provides guidelines and coordinates with different departments; (iii) the operation department researches and collects the applicable market price, price offered by or to independent third parties and the historical price to determine the most appropriate pricing; and (iv) additional and continuous trainings and guidance on connected transactions are continue to be conducted for Directors, senior management and relevant departments of the Group on an annual basis. As advised by the Management, the Company will endeavor to carry out adequate supervision over the pricing terms and policy under the framework agreements against the relevant annual caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken.

We have further discussed with the Management and are given to understand that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the amount of the continuing connected transactions (the “**Transactions**”) must be restricted by the respective proposed annual caps; (ii) the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the Transactions must be included in the Company’s subsequent published annual reports. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Transactions; and (iv) has exceeded the proposed annual caps. In the event that the total amounts of the Transactions are anticipated to



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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exceed the respective proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Having considered that (i) the Company has adequate internal control procedures as aforementioned; (ii) the documents including, but no limited to, agreements, pricing research reports and transaction records reviewed by us are consistent with the relevant internal control measures as aforementioned; and (iii) the independent non-executive Directors have reviewed the continuing connected transactions and confirmed in 2019 Annual Report that the transactions entered into for the year ended 31 December 2019 are (a) in the ordinary and usual course of business of the Group;(b) on normal commercial terms or better; and (c) in accordance with 2018 Provision of Products and Services Framework Agreement and 2018 Services Purchasing Framework Agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above and is adequate to ensure the terms of the continuing connected transactions are on normal commercial terms, fair and reasonable and in the interest of the Company and its shareholders as a whole.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that the renewal of the continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement are (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolution(s) to be proposed at the EGM to approve the renewal of the continuing connected transactions contemplated under: (i) the 2020 Provision of Products and Services Framework Agreement, (ii) the 2020 Services Purchasing Framework Agreement, and (iii) the 2020 Financial Service Framework Agreement.

Yours faithfully,  
For and on behalf of  
**Amasse Capital Limited**  
**May Tsang**  
*Director*

*Ms. May Tsang is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Amasse Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.*

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## APPENDIX I DETAILS OF RETIRING DIRECTORS PROPOSED FOR RE-ELECTION

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The following sets out the particulars of the retiring Director who is proposed to be re-elected at the Extraordinary General Meeting:

**Mr. Fang Weihao**, aged 47, has extensive experience in management, finance, and particularly in healthtech. Mr. Fang Weihao established Ping An International Finance Leasing Co., Ltd. Mr. Fang is also co-chairman and chief executive officer of Ping An Medical and Healthcare Management Co., Ltd., director of Health Konnect Medical and Health Technology Management Company Limited and vice chairman of Ping An Property & Casualty Insurance Company of China, Ltd. Prior to that, Mr. Fang served as the executive vice president of Far East Horizon Limited, deputy general manager of Sinochem International Tendering Co., Ltd. and business manager of Sinochem International Industries Co., Ltd. (“中化國際實業有限公司”).

Mr. Fang obtained a bachelor’s degree in mechanical engineering and automation from Beijing Institute of Technology, a master’s degree in business administration from China Europe International Business School and a doctorate degree in applied economics from Xi’an Jiaotong University.

Mr. Fang has entered into a service contract with the Company for a term of three years commencing from 1 September 2020 and is subject to retirement by rotation and re-election in accordance with the articles of association of the Company. Subject to the Shareholders approving the appointment of Mr. Fang at the Extraordinary General Meeting, pursuant to the service contract, he is entitled to emolument and bonus of RMB14,560,000 (before tax) per year, which has been determined by the nomination and remuneration committee under the Board with reference to his experience, duties, responsibilities and the Company’s remuneration policy and prevailing market condition. Subject to the approval of the nomination and remuneration committee under the Board, Mr. Fang will also be entitled to no more than 300,000 share options under the Employee Incentive Scheme of the Company.

Save as disclosed above, as at the date of Latest Practicable Date, Mr. Fang (i) had not held any other directorships in any listed public companies, in Hong Kong or overseas, in the last three years or held any other positions within the Company and its subsidiaries, (ii) had no relationship with any Directors, senior management, substantial Shareholders or controlling shareholders of the Company, and (iii) had no interests in the Shares of the Company or its associated corporation within the meaning of Part XV of the Securities and Futures Ordinance.

Save as disclosed herein, as at the date of this circular, there were no other matters relating to Mr. Fang that need to be brought to the attention of the Shareholders nor was there any information to be disclosed pursuant to the requirements of Rule 13.51(2)(h) to (v) of the Listing Rules.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiry, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at the Latest Practicable Date, to the knowledge of the Directors, the following persons (not being Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

### Long positions/short positions in the Shares

Name of Shareholder	Nature of interest	Number of Shares held	Long position/short position	Approximate percentage of shareholding <sup>(1)</sup>
Bang Qi Jian Limited <sup>(2)</sup>	Beneficial owner	128,110,000	Long position	11.16%
Dou Wenwei <sup>(2)</sup>	Interest in controlled corporations	128,110,000	Long position	11.16%
Wang Wenjun <sup>(2)</sup>	Interest in controlled corporations	128,110,000	Long position	11.16%
Glorious Peace Limited <sup>(3)</sup>	Beneficial owner	441,000,000	Long position	38.43%
An Ke Technology Company Limited <sup>(3)</sup>	Interest in controlled corporations	441,000,000	Long position	38.43%
Ping An <sup>(3)</sup>	Interest in controlled corporations	441,000,000	Long position	38.43%

<sup>(1)</sup> The calculation is based on the total number of Shares in issue of 1,147,294,200 Shares as at the Latest Practicable Date.

<sup>(2)</sup> As at the Latest Practicable Date, Bang Qi Jian Limited (“**Bang Qi Jian**”) held a total of 128,110,000 Shares directly. Each of Ms. Wang Wenjun and Mr. Dou Wenwei held 50% of the issued share capital of Bang Qi Jian. As such, each of Ms. Wang Wenjun and Mr. Dou Wenwei was deemed to be interested in the Shares held by Bang Qi Jian.

<sup>(3)</sup> As at the Latest Practicable Date, Glorious Peace Limited (“**Glorious Peace**”) held a total of 441,000,000 Shares directly. Glorious Peace was directly wholly owned by An Ke Technology Company Limited (“**An Ke**”), which in turn was directly wholly owned by Ping An. As such, each of Ping An and An Ke was deemed to be interested in the Shares held by Glorious Peace.

According to Section 336 of the SFO, Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings filed with the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, no other persons (not being Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

### **3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor terminable by the Group within a year without payment of any compensation (other than statutory compensation).

### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling Shareholder).

### **5. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

**6. INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE OFFICER**

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, chief executives or their respective associates is deemed to have under such provisions of the SFO), or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which was otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules.

**7. EXPERT**

The Independent Financial Adviser, Amasse Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of the regulated activities under the Securities and Futures Ordinance, has given and has not withdrawn its written consents to the issue of the circular with copies of its letter and the references to its name included herein in the form and context in which they are respectively included.

As at the Latest Practicable Date, Amasse Capital Limited: (i) has no shareholding interests in the Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) did not have any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**8. NO MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirmed that there has been no material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited annual financial statements of the Company were made up.

**9. OTHER INFORMATION**

- (1) The joint company secretaries of the Company are Mr. Liu Cheng and Ms. Chen Chun (*associate member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators*).
- (2) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

**10. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong for a period of 14 days (excluding Saturdays and Sundays) from the date of this circular:

- (1) a copy of the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement;
- (2) this circular;
- (3) the expert consent letter issued by the Independent Financial Adviser;
- (4) letter from the Independent Board Committee; and
- (5) letter from the Independent Financial Adviser.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### PING AN HEALTHCARE AND TECHNOLOGY COMPANY LIMITED

### 平安健康醫療科技有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1833)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“**EGM**”) of Ping An Healthcare and Technology Company Limited (the “**Company**”) will be held at Conference Room B6-02, Block B, Shanghai Ping An Building, No. 166 Kaibin Road, Shanghai, the PRC, at 2 p.m. on Wednesday, 11 November 2020 for the following purposes. Unless otherwise indicated, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 14 October 2020 (the “**Circular**”).

#### ORDINARY RESOLUTIONS

1. To re-elect Mr. Fang Weihao as an executive Director.
2. To consider and, if thought fit, pass with or without modification, the following resolutions as ordinary resolutions:

“**That:**

- (i) the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement and the transactions contemplated thereunder, details of which are more particularly described in the Circular, be and are hereby approved, ratified and confirmed;
- (ii) the proposed annual caps for the continuing connected transactions contemplated the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement for the three years ending 31 December 2023 as set out in the Circular be and are hereby approved, ratified and confirmed; and
- (iii) any one executive Director be and is hereby authorized for and on behalf of the Company to execute, and where required, to affix the common seal of the Company to, any documents, instruments or agreements, and to do any acts and things deemed by him or her to be necessary, expedient or appropriate in order to give effect to and implement the transactions contemplated under the 2020 Provision of Products and Services Framework Agreement, the 2020 Services Purchasing Framework Agreement, and the 2020 Financial Service Framework Agreement (including the proposed annual caps thereunder for the three years ending 31 December 2023).”

By order of the Board  
**PING AN HEALTHCARE AND  
TECHNOLOGY COMPANY LIMITED**  
**Fang Weihao**  
*Acting Chairman*

Shanghai, 14 October 2020

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed, or a notarily certified copy thereof, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investors Services Limited, at 17M Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Return of the form of proxy will not preclude any member of the Company from attending and voting at the EGM if such member so wishes, and in such event, the form of proxy will be deemed to be revoked.
3. The register of members of the Company will be closed from Friday, 6 November 2020 to Wednesday, 11 November 2020, both days inclusive, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the EGM, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investors Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 5 November 2020 for registration.