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**Kaisa Health Group Holdings Limited**  
**佳兆業健康集團控股有限公司**  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 876)**

**DISCLOSEABLE TRANSACTION**

**THE TRANSFER AGREEMENTS**

On 20 July 2021, 21 July 2021 and 31 August 2021, Kaisa Health (Haikou), an indirect wholly-owned subsidiary of the Company, and Shenzhen Yingdou entered into the First Transfer Agreement, the Second Transfer Agreement and the Third Transfer Agreement, respectively, in relation to the transfer of the Target Limited Partnership Interests at a total consideration of RMB180,000,000.

**LISTING RULES IMPLICATIONS**

The Acquisitions were completed within 12 months and were required to be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions are 5% or more and all of such ratios are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

**THE TRANSFER AGREEMENTS**

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The principal terms of each of the Transfer Agreements are as follows:

**(1) The First Transfer Agreement**

Date : 20 July 2021

Parties : (i) Shenzhen Yingdou, as transferor; and  
(ii) Kaisa Health (Haikou), as transferee

Subject Matter : 1.93% limited partnership interests in the Limited Partnership (with the Capital Contribution in the amount of RMB57,851,239.67)

Consideration : RMB70,000,000, which was determined after arm's length negotiation between Shenzhen Yingdou and Kaisa Health (Haikou), reflecting a premium of approximately 21% over the amount of the Capital Contribution made as at the date of the First Transfer Agreement.

Pursuant to the First Transfer Agreement, the consideration was payable by Kaisa Health (Haikou) to Shenzhen Yingdou in cash within 90 days of the date of the First Transfer Agreement.

**(2) The Second Transfer Agreement**

Date : 21 July 2021

Parties : (i) Shenzhen Yingdou, as transferor; and  
(ii) Kaisa Health (Haikou), as transferee

Subject Matter : 1.93% limited partnership interests in the Limited Partnership (with the Capital Contribution in the amount of RMB57,851,239.67)

Consideration : RMB70,000,000, which was determined after arm's length negotiation between Shenzhen Yingdou and Kaisa Health (Haikou), reflecting a premium of approximately 21% over the amount of the Capital Contribution made as at the date of the Second Transfer Agreement.

Pursuant to the First Transfer Agreement, the consideration was payable by Kaisa Health (Haikou) to Shenzhen Yingdou in cash within 90 days of the date of the Second Transfer Agreement.

### **(3) The Third Transfer Agreement**

Date : 31 August 2021

Parties : (i) Shenzhen Yingdou, as transferor; and  
(ii) Kaisa Health (Haikou), as transferee

Subject Matter : 1.65% limited partnership interests in the Limited Partnership (with the Capital Contribution in the amount of RMB49,586,776.86)

Consideration : RMB40,000,000, which was determined after arm's length negotiation between Shenzhen Yingdou and Kaisa Health (Haikou), reflecting a discount of approximately 19% over the amount of the Capital Contribution made as at the date of the Third Transfer Agreement.

Pursuant to the First Transfer Agreement, the consideration was payable by Kaisa Health (Haikou) to Shenzhen Yingdou in cash within 90 days of the date of the Third Transfer Agreement.

The considerations under the Transfer Agreements were determined after arm's length negotiations between Shenzhen Yingdou and Kaisa Health (Haikou) with reference to the amounts of the Capital Contribution made by Shenzhen Yingdou, the undistributed dividends attributable to the Target Limited Partnership Interests and the investment opportunities for Kaisa Health (Haikou) from the Acquisitions as set out in the section headed "Reasons for and Benefits of Entering into the Transfer Agreements". The considerations under the Transfer Agreements were funded by the Group's internal resources and had been paid in full as at the date of this announcement.

## **THE CONTRACTUAL ARRANGEMENTS**

The investment in the Limited Partnership with investment focuses in equity and equity related securities in the information technology, high-quality medical and health industries is currently subject to foreign investment restrictions under the Provisions and Guidelines. In accordance with the Provisions and Guidelines, investments in medical or healthcare institutes should be subjected to a sino-foreign joint venture structure, with the Chinese party holding not less than 30% equity interests in it. As Kaisa Health (Haikou) is controlled by the Company which is regarded as a foreign investor, the parties have entered into the Contractual Arrangements to avoid the aforementioned foreign restrictions.

Under the Contractual Arrangements, the Cooperation Agreements and the VIE Agreements were entered into.

## **THE COOPERATION AGREEMENTS**

On 20 July 2021, 21 July 2021 and 31 August 2021, Shenzhen Yingdou and Kaisa Health (Haikou) entered into the Cooperation Agreements, pursuant to which it was agreed that (i) Shenzhen Yingdou agreed to transfer the Target Limited Partnership Interests to Shenzhen Dayizhen, a special purpose vehicle holding the Target Limited Partnership Interests; (ii) the sole director of Shenzhen Dayizhen was nominated and appointed by Kaisa Health (Haikou); and (iii) Kaisa Health (Haikou) and Shenzhen Dayizhen agreed to enter into the VIE Agreements which would enable Kaisa Health (Haikou) to gain effective control over the finance, operations and enjoy the entire economic interests and benefits of Shenzhen Dayizhen.

## **THE VIE AGREEMENTS**

### **(1) The Exclusive Consulting and Service Provision Agreement**

On 29 November 2021, Kaisa Health (Haikou) and Shenzhen Dayizhen entered into the Exclusive Consulting and Service Provision Agreement, pursuant to which Kaisa Health (Haikou) agreed to use its technology, human resources and information knowledge to provide exclusive technical support, consultation services and other services to Shenzhen Dayizhen. Such services include but are not limited to, allowing Shenzhen Dayizhen to use the software which Kaisa Health (Haikou) has proprietary rights to, update, maintain and develop relevant software used by Shenzhen Dayizhen in its operations; design, install, manage and update computer network systems, hardware equipment and database; providing training and support to employees of Shenzhen Dayizhen; assisting in the consultation, collection and research of technical and market information conducted by Shenzhen Dayizhen (except market research which is prohibited by PRC laws); providing enterprise

management consulting services; providing market sales and promotional services; providing order management and cliental services; lending of equipment and assets and other services as requested by Shenzhen Dayizhen from time to time (the “**Technological Services**”). In consideration of the provision of the Technological Services to Shenzhen Dayizhen by Kaisa Health (Haikou), Shenzhen Dayizhen agreed that Kaisa Health Technology would be its exclusive service provider for the Technological Services. During the term of the Exclusive Consulting and Service Provision Agreement, Shenzhen Dayizhen undertook not to accept the same or any similar services provided by any third party, unless prior consent is obtained from Kaisa Health (Haikou).

The Exclusive Consulting and Service Provision Agreement also provides that Kaisa Health (Haikou) has the exclusive proprietary rights to and interests in any and all intellectual property rights (including but not limited to copyright, patent right, patent application right, software, technical secret and trade secret) developed or created pursuant to the transactions under the Exclusive Consulting and Service Provision Agreement. Shenzhen Dayizhen shall sign all documents required to make Kaisa Health (Haikou) the owner of such exclusive proprietary rights to and interests in any and all intellectual property rights.

### *Service fees*

Pursuant to the Exclusive Consulting and Service Provision Agreement, Shenzhen Dayizhen shall pay, on a monthly basis, services fees to Kaisa Health (Haikou) for the Technological Services. The monthly service fees payable by Shenzhen Dayizhen comprised the management fees and the service fees.

The service fees are charged based on the following factors:

1. the complexity and difficulty of the Technological Services provided;
2. the time required to provide Technological Services by the employees of Kaisa Health (Haikou);
3. the scope of Technological Services provided;
4. the market price for the provision of similar Technological Services by other service providers; and
5. the operating conditions of Shenzhen Dayizhen.

Pursuant to the Exclusive Consulting and Service Provision Agreement, Shenzhen Dayizhen may sign separate service agreements to negotiate the terms in relation to the provision of Technological Services, including but not limited to the scope, the method, the employees and the service fees payable.

### ***Term***

The Exclusive Consulting and Service Provision Agreement has become effective upon signing by both parties, and has an indefinite term unless a written termination is issued by Kaisa Health (Haikou). Shenzhen Dayizhen has no right to terminate the Exclusive Consulting and Service Provision Agreement.

### ***Transfer of rights and obligations***

The rights and obligations of Shenzhen Dayizhen shall not be transferrable to any third parties pursuant to the Exclusive Consulting and Service Provision Agreement unless prior written consent of Kaisa Health (Haikou) has been obtained. If Kaisa Health (Haikou) chooses to transfer its rights and obligations to third parties, Kaisa Health (Haikou) shall simply notify Shenzhen Dayizhen of such intention, and prior consent from Shenzhen Dayizhen is not required.

## **(2) The Exclusive Option Agreement**

On 29 November 2021, Kaisa Health (Haikou), Shenzhen Yingdou and Shenzhen Dayizhen entered into the Exclusive Option Agreement, pursuant to which Shenzhen Yingdou and Shenzhen Dayizhen agreed to irrevocably and unconditionally grant the Exclusive Option to Kaisa Health (Haikou). The Exclusive Option Agreement shall remain valid until all equity interests in Shenzhen Dayizhen held by Shenzhen Yingdou have been transferred to Kaisa Health (Haikou) or its designated person(s).

### ***Purchase Price***

The purchase price shall be the actual amount contributed by Shenzhen Yingdou in Shenzhen Dayizhen's registered share capital. If Kaisa Health (Haikou) purchases part of the equity interests in Shenzhen Dayizhen, the purchase price shall be calculated on a pro rata basis. If the lowest price as permitted under the applicable PRC laws for such equity transfer is higher than the aforesaid purchase price when Kaisa Health (Haikou) exercises its right, the parties agreed that the purchase price shall then be the lowest price as permitted under the applicable PRC laws.

Pursuant to the Exclusive Option Agreement, any profit made by Shenzhen Yingdou from the transfer of equity interest shall be used to repay the loan facility granted by Kaisa Health (Haikou) under the Loan Agreement. As such, Kaisa Health (Haikou) may choose to use the purchase price for the transfer of equity interest to offset the amount due under the Loan Agreement.

### ***Undertakings***

Under the Exclusive Option Agreement, Shenzhen Yingdou and Shenzhen Dayizhen have jointly and severally undertaken, among others that:

- (i) without prior written consent of Kaisa Health (Haikou), Shenzhen Dayizhen shall not supplement, change or amend its constitutional documents in any forms, increase or decrease its registered share capital, or otherwise change its capital structure;
- (ii) Shenzhen Dayizhen's form of business is to be maintained, its business affairs is to be conducted prudently and efficiently in accordance with good financial and commercial standards and practices, and where all permits and authorizations requiring governmental approval is to be obtained;
- (iii) Shenzhen Dayizhen shall not effect any sale, transfer, pledge or otherwise dispose of any legal or beneficial rights of its assets, business or income of an amount exceeding RMB500,000, or to allow the creation of any encumbrance over security interests without the prior written consent of Kaisa Health (Haikou);
- (iv) no debt is incurred, inherited, warranted or allowed without the prior written consent of Kaisa Health (Haikou) except when debt is incurred in the normal or ordinary course of business other than by borrowings;
- (v) businesses are conducted in the ordinary course of business at all times to preserve the value of assets of Shenzhen Dayizhen and refrain from any acts and/or omissions detrimental to its business condition and the value of its assets;
- (vi) without the consent of Kaisa Health (Haikou), no material contracts (for the purposes of this paragraph, a contract whose value exceeds RMB500,000 shall be deemed a material contract) shall be entered into, except for contracts entered into in the ordinary course of business;

- (vii) no loans or guarantees be provided to anyone without Kaisa Health (Haikou)'s prior written consent;
- (viii) all information in relation to Shenzhen Dayizhen's operations and financial position be provided upon request of Kaisa Health (Haikou);
- (ix) Shenzhen Dayizhen purchases and holds insurance policies from an insurance company accepted by Kaisa Health (Haikou), and the amount, type and level of insurance maintained shall be the same or similar to those normally insured by companies that operates similar business as Kaisa Health (Haikou);
- (x) without prior written consent of Kaisa Health (Haikou), it shall not merge or be associated with any person, acquire any person or invest in any person;
- (xi) Kaisa Health (Haikou) be immediately notified of the occurrence or possibility of litigation, arbitration or administrative proceedings related to Shenzhen Dayizhen's assets, business and income;
- (xii) all necessary or appropriate documents be executed, all necessary or appropriate actions be taken, all necessary or appropriate claims be filed, and all necessary claims be defended to maintain Shenzhen Dayizhen's ownership of all of its assets;
- (xiii) no dividend shall be paid to Shenzhen Dayizhen's shareholders in any form without the prior written consent of Kaisa Health (Haikou), and that all distributable profits shall be distributed to the shareholders of Shenzhen Dayizhen immediately upon request of Kaisa Health (Haikou);
- (xiv) Shenzhen Yingdou and Shenzhen Dayizhen shall procure to appoint any person designated by Kaisa Health (Haikou) to act as director or executive director of Shenzhen Dayizhen;
- (xv) Shenzhen Dayizhen shall not engage in any competing business with Kaisa Health (Haikou) or its affiliated companies without prior written approval from Kaisa Health (Haikou); and
- (xvi) Shenzhen Dayizhen shall not be dissolved or liquidated without Kaisa Health (Haikou)'s written consent, unless compelled by PRC laws.



Shenzhen Yingdou has further undertaken that:

- (i) it shall prompt Shenzhen Dayizhen's shareholders and its board of directors to vote in favour of the transfer of the equity purchased pursuant to the Exclusive Option Agreement and shall undertake all necessary procedures in relation to such transfer as requested by Kaisa Health (Haikou); and
- (ii) it shall strictly abide by the provisions of the Exclusive Option Agreement and other contracts entered into jointly or separately with Shenzhen Dayizhen or Kaisa Health (Haikou), to perform all obligations under the Exclusive Option Agreement in good faith, and refrain from any acts and/or omission that would affect the validity and enforceability of the Exclusive Option Agreement.

### **(3) The Power of Attorney**

On 29 November 2021, Shenzhen Yingdou executed a power of attorney, pursuant to which Shenzhen Yingdou agreed to irrevocably appoint Kaisa Health (Haikou) or its designated person(s) as its attorney-in-fact to act for all matters pertaining to Shenzhen Dayizhen and to exercise all of their rights as a shareholder of Shenzhen Dayizhen under the applicable laws and regulations and the articles of association of Shenzhen Dayizhen.

Shenzhen Yingdou has granted Kaisa Health (Haikou) or its designated person the power to exercise all rights as a Shenzhen Dayizhen's shareholder, including but not limited to:

- (i) convene and attend shareholders' meetings of Shenzhen Dayizhen;
- (ii) exercise all shareholders' rights and shareholder's voting rights in accordance with law and the constitutional documents of Shenzhen Dayizhen, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Shenzhen Dayizhen; and
- (iii) on behalf of Shenzhen Yingdou, nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of Shenzhen Dayizhen.

The Power of Attorney shall remain effective from the date of signing, the Power of Attorney is non-revocable and will continue to be effective so long as Shenzhen Yingdou remains a shareholder of Shenzhen Dayizhen. Further, Shenzhen Yingdou has waived all rights that have been granted in favour of Kaisa Health (Haikou) under the Power of Attorney in connection with the equity interests, and has undertaken not to exercise such rights on its own.

#### **(4) The Equity Pledge Agreement**

On 29 November 2021, Kaisa Health (Haikou), Shenzhen Dayizhen and Shenzhen Yingdou entered into the Equity Pledge Agreement, pursuant to which Shenzhen Yingdou agreed to pledge all of its equity interests in Shenzhen Dayizhen in favour of Kaisa Health (Haikou) to secure the due performance of obligations of Shenzhen Dayizhen and Shenzhen Yingdou under the VIE Agreements.

Unless with prior consent from Kaisa Health (Haikou), Shenzhen Yingdou and Shenzhen Dayizhen have no right to transfer its rights and obligations under the Equity Pledge Agreement. Kaisa Health (Haikou) may assign all or any of its rights and obligations pursuant to the Equity Pledge Agreement, its designated assignee shall assume all rights and obligations entitled by Kaisa Health (Haikou) under the Equity Pledge Agreement.

The Equity Pledge Agreement is valid from the date of signing until where all obligations and guarantee obligations under the VIE Agreements have been fulfilled.

#### **(5) The Loan Agreement**

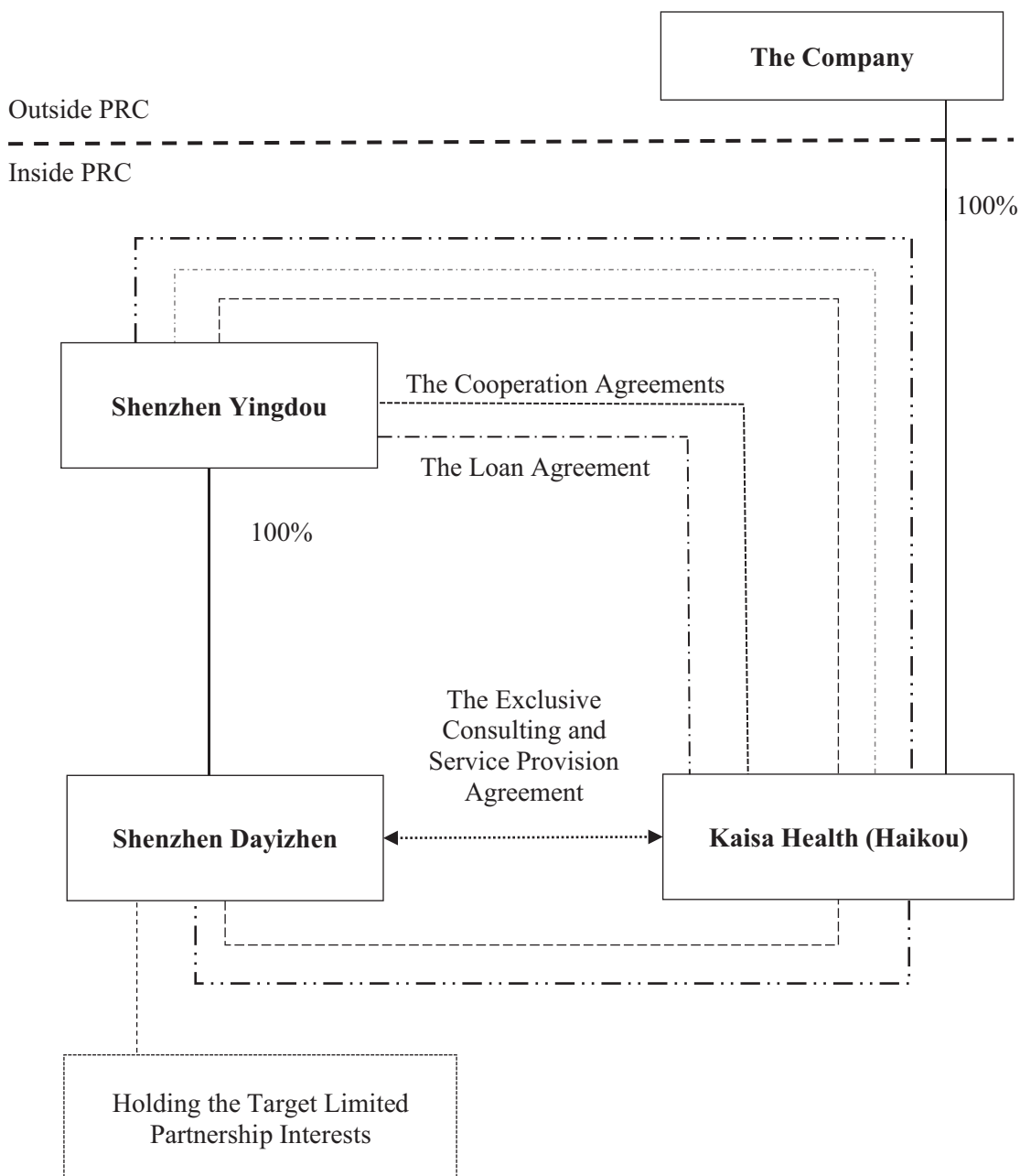
On 29 November 2021, Kaisa Health (Haikou) and Shenzhen Yingdou entered into the Loan Agreement pursuant to which the Kaisa Health (Haikou) agreed to provide Shenzhen Yingdou the loan amount of RMB10,000, for the purposes of maintaining Shenzhen Yingdou's cashflow liquidity. The term of loan is calculated from the day the loan is drawn down by Shenzhen Yingdou until the day when Shenzhen Yingdou repays in full, at nil interest rate per annum.

Pursuant to the Loan Agreement, Shenzhen Yingdou may choose to repay all or part of the loan in advance provided that prior approval from Kaisa Health (Haikou) has been obtained.

Pursuant to the Loan Agreement, the loan is secured by the Equity Pledge Agreement. As at the date of this announcement, the loan has not yet been drawn down by Shenzhen Yingdou.

## ILLUSTRATIVE DIAGRAM OF THE CONTRACTUAL ARRANGEMENTS

The following diagram illustrates the Contractual Arrangements as at the date of this announcement:



### The VIE Agreements

- The Exclusive Option Agreement
- ..... The Power of Attorney in favour of Kaisa Health (Haikou)
- . . . . The Equity Pledge Agreement in favour of Kaisa Health (Haikou)
- ←.....→ The Exclusive Consulting and Service Provision Agreement
- . . . . The Loan Agreement

## **LEGAL COMPLIANCE OF THE CONTRACTUAL ARRANGEMENTS**

The Company has obtained the advice from the PRC Legal Adviser and reasonably assessed the requirements under all applicable rules, committed financial and other resources and implemented all recommendations of the PRC Legal Adviser prior to the Acquisitions. Based on the review of the form and the substance of the Contractual Arrangements, the PRC Legal Adviser has confirmed that each of the form of the VIE Agreements is, and taken as a whole are, (i) valid and legally binding on each party thereto, and (ii) enforceable in accordance with the terms thereof. The form of VIE Agreements entered into for the Company to own and control the business of Shenzhen Dayizhen governed by PRC laws will not be deemed as “concealment of illegal intentions with a lawful form” and will not be void under the Civil Code of the PRC. Based on the advice from the PRC Legal Adviser, the Directors are of the view that the VIE Agreements is valid under the relevant laws, rules and regulations in the PRC.

## **THE BOARD’S VIEW ON THE CONTRACTUAL ARRANGEMENTS**

On the basis of the above, the Directors believe that the Contractual Arrangements, after becoming effective and upon completion of the registration of the equity pledge, are enforceable under applicable PRC laws and would provide a mechanism that enables the Group to exercise effective and significant control over and enjoy the economic interests and benefits from Shenzhen Dayizhen.

## **DISPUTE RESOLUTIONS UNDER THE CONTRACTUAL ARRANGEMENTS**

Each of the VIE Agreements, except the Power of Attorney, contains a dispute resolution provision, which stipulates that in the event of any dispute relating to the interpretation and performance of the VIE Agreements, the parties shall negotiate in good faith to resolve such disputes. If the parties fail to reach an agreement on the resolution of such a dispute, (i) pursuant to the Loan Agreement, the parties may choose to submit the relevant dispute to the Shenzhen Court of International Arbitration, whereas under the (ii) Exclusive Consulting and Service Provision Agreement, Equity Pledge Agreement and the Exclusive Option Agreement, if the dispute is not settled within 30 days, it may be submitted to the China International Economic and Trade Arbitration Commission for arbitration in accordance with the then effective arbitration rules.

Each of the VIE Agreements, other than the Power of Attorney, contains a dispute resolution provision, which stipulates that the tribunal may award remedies over the shares or assets of Shenzhen Dayizhen or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Shenzhen Dayizhen; any party may apply to the courts of Hong Kong, Bermuda (being the place of incorporation of the Company), the PRC and the places where the principle assets of Kaisa Health (Haikou) or its subsidiaries are located for interim remedies or injunctive relief.

## **CONFLICT OF INTEREST AND SUCCESSION UNDER THE VIE AGREEMENTS**

### **Conflict of interest**

Pursuant to the VIE Agreements, Shenzhen Yingdou and Shenzhen Dayizhen shall not take or omit to take any action which may lead to conflict of interest with Kaisa Health (Haikou) or its shareholders. If there is any conflict of interest, Kaisa Health (Haikou) shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC Laws. Shenzhen Yingdou has also confirmed under the VIE Agreements that without the prior written consent of Kaisa Health (Haikou), it shall not directly or indirectly participate in, engage in, involve or own any business that is or may compete with the main business of Shenzhen Dayizhen, and shall not perform any acts and/or omission that may have any material impact on the assets, business and liabilities of Shenzhen Dayizhen.

### **Succession**

The provisions set out in the VIE Agreement are also binding on the entities following the merger or division of Shenzhen Yingdou, as if the aforesaid merged or divided entities were a signing party to the VIE Agreement. Any breach by the aforesaid merged or divided entities will be deemed a breach of the VIE Agreement.

### **Liquidation**

Pursuant to the Equity Pledge Agreement, in the event of liquidation or winding up of Shenzhen Dayizhen pursuant to the applicable PRC laws, Shenzhen Dayizhen shall upon the direction of Kaisa Health (Haikou), deposit any profit, interest, dividend or proceeds lawfully distributed by Shenzhen Dayizhen (i) into the designated account of Kaisa Health (Haikou) or (ii) to unconditionally gift Kaisa Health (Haikou) or its designated person such profit or interests (to the extent permitted by applicable PRC laws and regulations).

### **Arrangement with Shenzhen Yingdou**

The Company confirms that appropriate arrangements have been made to protect the Company's interests in the event of liquidation or winding up of Shenzhen Yingdou to avoid any practical difficulties in enforcing the Contractual Arrangements. Shenzhen Yingdou has undertaken that if it is subject to winding up, liquidation, or the cancellation or revocation of its business license, or any possible or threatened action thereof, it will inform Kaisa Health (Haikou) immediately and will unconditionally indemnify Kaisa Health (Haikou) for any losses incurred by it in full. Kaisa Health (Haikou) also has statutory right to claim against the ultimate beneficial owners of

Shenzhen Yingdou for any breach of the VIE Agreements. Appropriate arrangements have been made to protect the Group's interests in the event of death or bankruptcy of any of the ultimate beneficial owners of Shenzhen Yingdou to avoid any practical difficulties in enforcing the VIE Agreements. Each of the ultimate beneficial owners of Shenzhen Yingdou has undertaken to assume the obligations required of another beneficial owner under the VIE Agreements.

### **Termination of the VIE Agreements**

The Company has undertaken that it shall terminate the VIE Agreements as soon as the relevant Provisions and Guidelines are lifted, and the Company or its nominee may acquire the equity interests in Shenzhen Dayizhen held by Shenzhen Yingdou and/or the assets of Shenzhen Dayizhen to the extent as permitted by then applicable PRC Laws. In the event Kaisa Health (Haikou) exercises the right to terminate the VIE Agreements, Shenzhen Yingdou and Shenzhen Dayizhen have undertaken to return to Kaisa Health (Haikou) any consideration received.

### **INTERNAL CONTROL**

As part of the Group, both Kaisa Health (Haikou) and Shenzhen Dayizhen are subject to the Group's internal control policies and procedures. As the operation of Shenzhen Dayizhen is controlled by the Group solely through the Contractual Arrangements, the Company has the following controls to safeguard its interest in Shenzhen Dayizhen:

- (i) the seals, chops, incorporation documents of Shenzhen Dayizhen are kept by the Group, any employee of Shenzhen Dayizhen who wishes to use such items will have to obtain internal approval (as the case may be) from the Group;
- (ii) Shenzhen Dayizhen will report regularly, which will be no less frequently than on a quarterly basis, to the senior management of the Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters; any major issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by the Board;
- (iii) the Board will consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the Contractual Arrangements, and immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made; and
- (iv) the Company's independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in the Company's annual report.

## **RISK FACTORS RELATING TO THE CONTRACTUAL ARRANGEMENTS**

Kaisa Health (Haikou) will not have any direct equity ownership in Shenzhen Dayizhen and will rely on the Contractual Arrangements to control, operate and be entitled to the economic benefits from Shenzhen Dayizhen. As such, the risks associated with the use of the VIE Agreements are set out as follows:

### **The Group may bear economic risks which may arise from difficulties in the operation of Shenzhen Dayizhen**

The Group will bear economic risks which may arise from difficulties in the operations of Shenzhen Dayizhen's businesses. Kaisa Health (Haikou) will have to provide financial support in the event of financial difficulty of Shenzhen Dayizhen. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of Shenzhen Dayizhen and the need to provide financial support to Shenzhen Dayizhen.

### **Interference or encumbrance in the PRC**

There may be interference or encumbrance from governing bodies in the PRC over Shenzhen Dayizhen and its assets. To the best of the knowledge, information and belief of the Group, having made all reasonable enquiries, as at the date of the announcement, Shenzhen Dayizhen has not encountered any interference or encumbrance from any governing bodies in operating its business and dealing with its assets.

### **Kaisa Health (Haikou)'s exercise of the option to acquire the entire equity interests in Shenzhen Dayizhen may be subject to various limitations and substantial costs**

In case Kaisa Health (Haikou) exercises its options to acquire all or part of the equity interests of Shenzhen Dayizhen under the Exclusive Option Agreement, the acquisition of the entire equity interest in Shenzhen Dayizhen may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals and relevant procedures under applicable PRC laws. In addition, the abovementioned acquisitions may be subject to a minimum price limitation (such as an appraised value for the entire equity interest in Shenzhen Dayizhen) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any), expenses and time may be involved in transferring the ownership of Shenzhen Dayizhen, which may have a material adverse impact on Kaisa Health (Haikou)'s businesses, prospects and results of operation.

**There is no assurance that the Contractual Arrangements could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the Contractual Arrangements do not comply with applicable regulations**

Despite there is currently no indication that the Contractual Arrangements will be interfered or objected by any PRC regulatory authorities, there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the Contractual Arrangements comply with the current PRC laws, regulations or rules or those that may be adopted in the future, and the authorities may deny the validity, effectiveness and enforceability of the Contractual Arrangements.

**The VIE Agreements may not be as effective in providing control over and entitlement to the economic benefits in Shenzhen Dayizhen as compared to direct ownership**

The VIE Agreements may not be as effective as direct ownership in providing Kaisa Health (Haikou) with control over and entitlement to the economic benefits in Shenzhen Dayizhen. Under the VIE Agreements, the Group will have to rely on Kaisa Health (Haikou)'s contractual rights under the Contractual Arrangements to effect controls in the management of Shenzhen Dayizhen and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Shenzhen Dayizhen refuses to cooperate, Kaisa Health (Haikou) may encounter difficulties in effecting control over Shenzhen Dayizhen through the Contractual Arrangements and may be required to take legal actions which is time consuming and costly, which would, in turn, result in an adverse effect on the Group's business, financial condition and results of operations.

**Shenzhen Yingdou may have potential conflict of interest with the Group**

The Group's control over Shenzhen Dayizhen is based on the Contractual Arrangements. Therefore, conflict of interests of Shenzhen Yingdou will adversely affect the interests of the Group. Conflict of interests may occur when the interest of Shenzhen Yingdou no longer aligns with that of the Group. Shenzhen Yingdou may breach or cause Shenzhen Dayizhen to breach the VIE Agreements. If the Group fails to resolve this internally, it may have to resort to dispute resolution, other legal means, or ultimately removing and replacing Shenzhen Yingdou, which might affect the investors' confidence in the Contractual Arrangements.

Nevertheless, pursuant to the Power of Attorney, Shenzhen Yingdou will irrevocably appoint any persons as designated by Kaisa Health (Haikou) as their representative to exercise the rights of shareholders of Shenzhen Dayizhen. Therefore, it is unlikely that there will be potential conflict of interests between the Company and Shenzhen Yingdou.



As at the date of the announcement, Shenzhen Yingdou has ensured that the Power of Attorney does not give rise to any potential conflict of interest.

**The VIE Agreements may be subject to the scrutiny of the tax authorities and additional tax maybe imposed**

The Group could face adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Agreements were not entered into based on arm's length negotiations. If the PRC tax authorities determine that the VIE Agreements were not entered into on an arm's length basis, they may adjust income and expenses of Kaisa Health (Haikou) and/or Shenzhen Dayizhen for the PRC tax purposes, which could result in higher tax liabilities on Kaisa Health (Haikou) and/or Shenzhen Dayizhen.

The operating and financial results of Kaisa Health (Haikou) may be adversely affected if the tax liabilities of Shenzhen Dayizhen or those of Kaisa Health (Haikou) increased significantly or if they are required to pay interest on late payments and other penalties.

**The Group does not have any insurance which covers the risks relating to the VIE Agreements**

The Group does not have insurance to cover the risks relating to the VIE Agreements and the Group cannot identify appropriate insurance product to cover such risks. If there is any loss arising from the VIE Agreements in the future, such as the legal costs for enforcing the Contractual Arrangements, the Group may be required to bear such costs and the results of operations of the Group may be adversely affected.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSFER AGREEMENTS**

The Group has been looking for investment opportunities. Having considered that (i) the investment focus of the Limited Partnership is on high-quality medical and health industry which aligns with the Group's investment strategy; and (ii) the general partner of the Limited Partnership has substantial investment and fund management experiences, the Board believes that the Acquisitions would enable the Group to capture investment opportunities and generate potential investment returns. Therefore, the Directors are of the view that the terms and conditions of the Transfer Agreements are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

## **REASONS FOR AND BENEFITS OF THE CONTRACTUAL ARRANGEMENTS**

The investment in the Target Limited Partnership Interests with investment focuses in equity and equity related securities in the information technology, high-quality medical and health industries is currently subject to foreign investment restrictions under the Provisions and Guidelines. In accordance with the Provisions and Guidelines, investments in medical or healthcare institutes should be subjected to a sino-foreign joint venture structure, with the Chinese party holding not less than 30% equity interests in it. As Kaisa Health (Haikou) is controlled by the Company which is regarded as a foreign investor, the parties have entered into the Contractual Arrangements to avoid the aforementioned foreign restrictions.

The Contractual Arrangements would enable the Group to obtain the entire economic benefits attributable to Shenzhen Dayizhen.

The Company has discussed with its auditor and confirms that the financial results of Shenzhen Dayizhen will be consolidated into the consolidated financial statements of the Group under the prevailing accounting principles upon entering into the VIE Agreements.

The Directors are of the view that the terms of the Contractual Arrangements are fair and reasonable, on normal commercial terms or better to the Group and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The Acquisitions were completed within 12 months and were required to be aggregated pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions are 5% or more and all of such ratios are less than 25%, the Acquisitions constitute a discloseable transaction of the Company under Rule 14.06 of the Listing Rules and is therefore subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

## **NON-COMPLIANCE OF THE LISTING RULES AND REMEDIAL MEASURES**

Due to the internal misunderstanding and miscommunication, the Company failed to comply with the requirements under Chapter 14 of the Listing Rules in a timely manner. The Company deeply regrets such failure and would like to stress that it has no intention to withhold any information relating to any of the Acquisitions and the Contractual Arrangements from disclosure to the public.

In order to ensure timely disclosure of future transactions and compliance with the requirements under the Listing Rules, the Company plans to adopt the following measures:

- (i) the Company will review its internal control system, financial reporting system and existing policies and procedures in monitoring notifiable and connected transactions of the Group under the Listing Rules and report results of the same to the Board periodically;
- (ii) the Company will improve such internal control system, financial reporting system and existing policies and procedures in accordance with the recommendations as provided by the Board and its other professional advisers from time to time;
- (iii) the Company will circulate a detailed guideline relating to notifiable and connected transactions under the Listing Rules and offer more regular trainings to the responsible staff, senior management and Directors in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at an early stage;
- (iv) the Company will strengthen the coordination and reporting arrangements for notifiable and connected transactions among its subsidiaries and emphasize the importance of compliance with the Listing Rules; and
- (v) the Company will work more closely with its legal adviser on compliance issues and shall, as and when appropriate, consult other professional advisers before entering into any potential notifiable and connected transaction. If necessary, the Company might also consult the Stock Exchange on the proper treatment of the proposed transactions.

## **INFORMATION ON THE PARTIES**

### **The Company and the Group**

The Company is an investment holding company. The Group is principally engaged in the dental prosthetics business, including the sale (both overseas and domestic) and production of dental prosthetics and healthcare business, including provision of public health and medical services.

### **Shenzhen Yingdou**

Shenzhen Yingdou is a company established in the PRC, and is principally engaged in investment of startup corporations. Shenzhen Yingdou is owned as to 90% by Ms. Liu Haiyan and 10% by Ms. Guo Yingwei, who are residents in the PRC.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Shenzhen Yingdou and its ultimate beneficial owners are independent of the Company and its connected persons.

### **Shenzhen Dayizhen**

Shenzhen Dayizhen is a company established in the PRC by Shenzhen Yingdou on 23 November 2021, and is a special purpose vehicle holding the Target Limited Partnership Interests. As at the date of this announcement, through the Contractual Arrangements, the financial result of Shenzhen Dayizhen has been consolidated by the Group and Shenzhen Dayizhen is a subsidiary of the Company. Since it is newly incorporated, no audited accounts have been prepared for Shenzhen Dayizhen. As at 31 December 2021, the net assets value of Shenzhen Dayizhen was approximately RMB180,000,000. As at the date of this announcement, Shenzhen Dayizhen has not generated any revenue from the businesses under the Contractual Arrangements.

### **The Limited Partnership**

The Limited Partnership is a limited partnership established under the laws of the PRC on 15 March 2018, the investment objective of which is to achieve long-term capital appreciation through making investments in equity and equity related securities in the information technology, high-quality medical and health industries. The term of the Limited Partnership is 20 years. As at the date of this announcement, the general partner of the Limited Partnership is Zhuhai Jinyiheng, which is a limited partnership established in the PRC with a registered capital of RMB10 million. To the best of the knowledge, information and belief of the Group, having made all reasonable enquiries, as at the date of the announcement, Zhuhai Jinyiheng is controlled by Mr. Song Xiao Wei and Mr. Li Shuai, who are residents in the PRC.

Based on the audited financial statements of the Limited Partnership for the financial years ended 31 December 2020 and 2019, the profit after taxation of the Limited Partnership was approximately RMB233 million and RMB100 million respectively; and the unaudited net assets value of the Limited Partnership as at 30 June 2021 was approximately RMB3,288 million.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisitions”	the acquisitions of the Target Limited Partnership Interests under the Transfer Agreements and Shenzhen Dayizhen under the Contractual Arrangements
“Board”	board of Directors
“Capital Commitment”	the amount that a partner has committed to contribute to the Limited Partnership
“Capital Contribution”	the capital contribution that has been paid by Shenzhen Yingdou to the Limited Partnership
“Company”	Kaisa Health Group Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Contractual Arrangements”	the arrangements under the Cooperation Agreements and the VIE Agreements
“Cooperation Agreements”	the cooperation agreements dated 20 July 2021, 21 July 2021 and 31 August 2021 entered into between Shenzhen Yingdou and Kaisa Health (Haikou) in relation to the management and operation of Shenzhen Dayizhen
“Directors”	directors of the Company
“Equity Pledge Agreement”	the equity pledge agreement dated 29 November 2021 entered into by and among Kaisa Health (Haikou), Shenzhen Yingdou and Shenzhen Dayizhen
“Exclusive Consulting and Service Provision Agreement”	the exclusive consulting and service provision agreement dated 29 November 2021 entered into between Kaisa Health (Haikou) and Shenzhen Dayizhen

“Exclusive Option”	the exclusive option granted by Shenzhen Yingdou to Kaisa Health (Haikou) to elect, at the sole discretion of Kaisa Health (Haikou), to acquire all or any part of the equity interests held by Shenzhen Yingdou in Shenzhen Dayizhen at any time under the Exclusive Option Agreement
“Exclusive Option Agreement”	the exclusive option agreement dated 29 November 2021 entered into by and among Kaisa Health (Haikou), Shenzhen Yingdou and Shenzhen Dayizhen
“First Transfer Agreement”	the transfer agreement dated 20 July 2021 entered into between Kaisa Health (Haikou) and Shenzhen Dayizhen in relation to the transfer of 1.93% limited partnership interests in the Limited Partnership
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Kaisa Health (Haikou)”	佳兆業健康科技(海口)有限公司 (Kaisa Health Technologies (Haikou) Co., Ltd.)*, a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company
“Limited Partnership”	珠海金鑑銘股權投資基金合夥企業(有限合夥)(Zhuhai Jinyiming Equity Investment Fund Partnership (L.P.))* , a limited partnership established under the laws of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement dated 29 November 2021 entered into between Kaisa Health (Haikou) and Shenzhen Yingdou
“Power of Attorney”	the power of attorney dated 29 November 2021 granted by Shenzhen Yingdou in favour of Kaisa Health (Haikou)
“PRC”	the People’s Republic of China
“PRC Legal Adviser”	King & Wood Mallesons, the PRC legal adviser to Kaisa Health (Haikou)

“Provisions and Guidelines”	《外商投資準入特別管理措施(負面清單)(2021年版)》(Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021), effective on 1 January 2022) and《中外合資、合作醫療機構管理暫行辦法》(Interim Measures for the Administration of Sino-foreign Equity Joint and Cooperative Joint Medical Institutions), effective on 1 July 2000
“RMB”	Renminbi, the lawful currency of the PRC
“Second Transfer Agreement”	the transfer agreement dated 21 July 2021 entered into between Kaisa Health (Haikou) and Shenzhen Dayizhen in relation to the transfer of 1.93% limited partnership interests in the Limited Partnership
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Shenzhen Dayizhen”	深圳達逸臻科技有限公司 (Shenzhen Dayizhen Technology Co., Ltd.)*, a company established in the PRC with limited liability and is a special purpose vehicle established by Shenzhen Yingdou
“Shenzhen Yingdou”	深圳盈都科技有限公司 (Shenzhen Yingdou Technology Co., Ltd.)*, a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Limited Partnership Interests”	an aggregate of 5.51% limited partnership interests in the Limited Partnership
“Third Transfer Agreement”	the transfer agreement dated 31 August 2021 entered into between Kaisa Health (Haikou) and Shenzhen Dayizhen in relation to the transfer of 1.65% limited partnership interests in the Limited Partnership
“Transfer Agreements”	the First Transfer Agreement, the Second Transfer Agreement and the Third Transfer Agreement

“VIE Agreements”	the Exclusive Consulting and Service Provision Agreement, the Exclusive Option Agreement, the Power of Attorney, the Equity Pledge Agreement, and the Loan Agreement
“Zhuhai Jinyiheng”	珠海金鑑衡企業管理合夥企業(有限合夥) (Zhuhai Jinyiheng Enterprise Management Partnership (Limited Partnership))* , a limited partnership established in the PRC
“%”	per cent

By Order of the Board  
**Kaisa Health Group Holdings Limited**  
**Zhang Huagang**  
*Chairman*

Hong Kong, 31 January 2022

*As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Zhang Huagang (Chairman), Mr. Luo Jun (Co-Vice Chairman), Mr. Wu Tianyu (Co-Vice Chairman), Mr. Kwok Ying Shing, and three independent non-executive Directors, namely Dr. Liu Yanwen, Dr. Lyu Aiping and Ms. Li Yonglan.*

*\* For identification purposes only*