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BACKGROUND

We currently conduct our value-added telecommunication services (through our doctor app, *ClouDr. Doctor*, and patient app, *ClouDr. Health*), internet hospitals and offline medical institution services and insurance brokerage services (the “**Relevant Businesses**”) through our Consolidated Affiliated Entities in the PRC as the PRC laws, or their implementation by relevant government authorities, generally prohibit or restrict foreign ownership, or impose certain qualification requirements on foreign investors, in the Relevant Businesses. Currently, the PRC laws restrict foreign ownership of value-added telecommunications service providers (in addition to imposing a qualification requirement on the foreign owners) and of medical institutions and internet hospitals.

As a result of the restrictions imposed by the PRC laws, our Company is unable to own or hold the entire direct equity interest in our Consolidated Affiliated Entities. Accordingly, the term ‘ownership’ or the relevant concept, as applied to our Company in this document, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in our Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our Consolidated Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimise the potential for conflict with relevant PRC laws.

In order to facilitate the reorganisation and as further detailed in “History, corporate structure, and reorganisation — Reorganisation — Contractual Arrangements”, Hangzhou Kangming executed a set of agreements constituting the Contractual Arrangement on June 16, 2021, pursuant to which it agreed to be bound by the terms and conditions of the Contractual Arrangements.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT BUSINESSES

Value-added telecommunication services

Pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021)) (the “**Negative List**”) which came into effect on January 1, 2022, provision of value-added telecommunications services falls within the ‘restricted’ category. As such, the ultimate shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%. Moreover, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a provider of ‘operational internet information services’ (namely services involving the provision of information or website-design services through the internet to

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internet-users for a fee) is required to obtain an ICP license. See “Regulatory Overview — Regulation on Foreign Investment” for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Since our value-added telecommunication services involve the operation of internet information services, and online data processing and transaction processing service, which are a sub-categories of valued-added telecommunications business, for which an value-added telecommunication services licence is required, our value-added telecommunication services are subject to foreign ownership restrictions. Therefore, our internet information services are conducted by, and value-added telecommunication licence is held by Hangzhou Kangming.

With the assistance of our PRC Legal Adviser, we consulted a division chief of the Communication Development Bureau of the MIIT on July 29, 2021, being an official who is competent to represent the Communication Development Bureau of the MIIT, which is a competent authority as advised by our PRC Legal Adviser to confirm the matters relating to the Contractual Arrangements and our value-added telecommunication licence. We were advised that:

- (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services;
- (ii) our internet information businesses and online data processing and transaction processing service are value-added telecommunications businesses and are required to hold value-added telecommunication license;
- (iii) the application by any foreign invested company for value-added telecommunication service licence is subject to thorough substantive examination and discretion by the MIIT, on a case-by-case basis when examining the applications, the compliance with foreign investment restrictions on the applicant’s businesses in its entirety would be considered and act as a principle in reviewing such application, therefore, the Company will not be able to obtain a value-added telecommunication service license as a foreign-invested company; and
- (iv) us entering into the Contractual Arrangements is not subject to approval or regulation from the MIIT.

On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations, or the Decision, which came into effect on May 1, 2022. According to the Decision, the requirement of good track record and operational experience of the primary foreign investor in a foreign-invested value-added telecommunications enterprise, as stipulated in the Administrative Regulations on Foreign-Invested

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Telecommunications Enterprises (外商投資電信企業管理規定), was canceled. As advised by our PRC Legal Advisor, Tian Yuan Law Firm, such regulatory development does not invalidate our ICP licenses or require us to modify our Contractual Arrangements according to PRC laws and regulations. As of the Latest Practicable Date, we have not received any inquiry or notice from the competent authorities regarding the validity of our ICP license or our Contractual Arrangements as a whole. In addition, as advised by our PRC Legal Advisor, as the Decision only became effective on May 1, 2022 and no detailed guidance or implementation measures have been issued, there remain uncertainties with respect to its future impact on us, including any specific requirements that we may need to satisfy. We will closely monitor any future development relating to the Decision and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing our corporate structure, if required in the future. See “Risk Factors — Risks Related to Our Business and Industry — We are subject to extensive and evolving legal and regulatory requirements, non-compliance with or changes in which may materially and adversely affect our business and prospects.”

Internet hospitals and offline medical institution services

Pursuant to the Negative List, provision of internet hospitals and offline medical institution services falls within the ‘restricted’ category. Also, according to Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture (中外合資、合作醫療機構管理暫行辦法) issued by the Ministry of Health and Ministry of Foreign Trade and Economic Cooperation in May 2000, subject to any regional restriction, the shareholding percentage of a foreign investor in medical institution services shall not exceed 70%, and such restriction also applies to internet hospitals. With assistance of our PRC Legal Adviser, we consulted a division chief of the Medical Authority and Management Bureau of the National Health Commission on June 9, 2021, being an official who is competent to represent the Medical Authority and Management Bureau of the National Health Commission, which is a competent authority as advised by our PRC Legal Adviser, and were advised that the shareholding percentage of a foreign investor in medical institution services shall not exceed 70% but that percentage may differ among provinces and our entering into the Contractual Arrangements is not in violation of applicable laws and regulation, and is not subject to approval from the National Health Commission. With assistance of our PRC Legal Adviser, we consulted an officer, who is competent and capable of representing the authority of the Yinchuan Approval Service Administration (銀川市審批服務管理局), being a competent authority as advised by our PRC Legal Adviser on June 7, 2021 to confirm the matters relating to restriction on foreign ownership in internet hospitals in Yinchuan and were advised that they have not accepted or approved any application for foreign-invested internet hospital before and therefore foreign investors cannot hold any equity interest in Yinchuan Zhiyun Internet Hospital. On the other hand, according to Sichuan Measures for the Administration of Sino-Foreign Equity/Cooperative Joint Venture Medical Institutions (四川省中外合資、合作醫療機構管理辦法), foreign investor may hold at most 90% equity interest in a joint venture medical institution in Sichuan Province.

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Currently, our Group’s internet hospitals are operated in accordance with above-mentioned restrictions, namely: i) Yinchuan Zhiyun Internet Hospital is operated under the Contractual Arrangements, ii) 70% of equity interests in Tianjin Zhiyun Comprehensive Clinic Co., Ltd. (天津智雲綜合門診有限公司) are held by our Company and the rest 30% are held by Consolidated Affiliated Entities, iii) our Company holds 60% of equity interests in Hainan Youyi Technology Co., Ltd (海南優醫科技有限公司), which acts as a holding company of medical institution and respectively holds 100% of equity interests in both Hainan Zhiyun Internet Hospital Co., Ltd (海南智雲互聯網醫院有限公司) and Hainan Zhiyun Distance Medical Center Co., Ltd. (海南智雲遠程醫療中心有限公司), and iv) our Company holds 90% of equity interests in Chengdu Zhiyun Internet Hospital and the other 10% are held by Consolidated Affiliated Entities.

Insurance brokerage services

Although there is no explicit restriction on insurance brokerage industry in the Negative List, according to the Service Guide on the Approval of the Establishment of Insurance Brokerage (《保險經紀機構設立審批事項服務指南》) (the “**Service Guide**”) issued on August 31, 2019 by the China Banking and Insurance Regulatory Commission, when foreign investors hold 25% or more (directly or indirectly, on a cumulative basis) of the equity interest of an insurance brokerage company, such company would be deemed as a foreigner-invested insurance broker, and foreign-invested insurance brokers are required to obtain a foreign-invested insurance brokerage license. Furthermore, foreign investor of the foreign invested insurance broker shall be a foreign insurance intermediary company with more than 30 years of experience since incorporation in a member country of the World Trade Organisation and has over US\$200 million worth of total asset as at the year ended immediately precedent to the making of an application for investing in the relevant insurance broker in the PRC.

With the assistance of our PRC Legal Adviser, we consulted a division chief of Insurance Intermediary Supervision Department of the China Banking and Insurance Regulatory Commission on June 7, 2021, being an official who is competent to represent the Insurance Intermediary Supervision Department of the China Banking and Insurance Regulatory Commission, which is a competent authority as advised by our PRC Legal Adviser to confirm the matters relating to foreign investment in insurance brokerage industry and qualification requirements, and we were advised that even if a foreign investor of the foreign-invested insurance broker has met the aforementioned qualification requirements, it will not be able to obtain a foreign-invested insurance brokerage license.

As a result, we operate our insurance brokerage services through one of our Consolidated Affiliated Entities, Yinbang Insurance Brokerage.

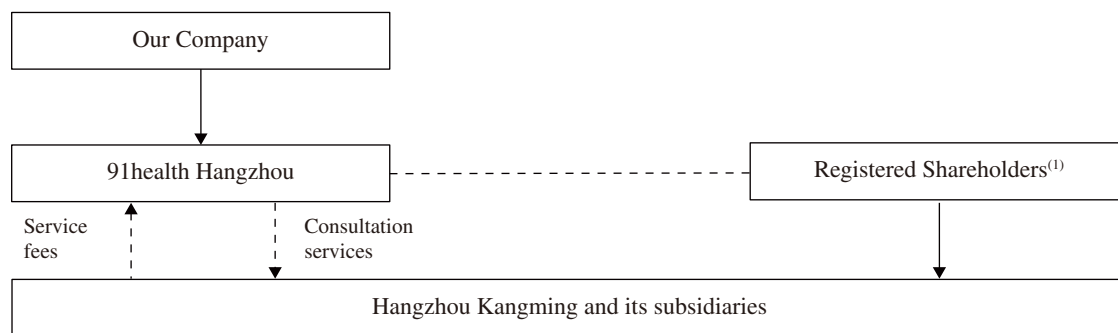
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Circumstances in which we will unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Businesses, to the extent permissible, and we will directly hold the maximum percentage of ownership interest permissible under the relevant PRC laws if the relevant government authority grants relevant licenses to the foreign-invested entities currently held and to be established by our Company. In this event 91health Hangzhou will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the Relevant Businesses without using the Contractual Arrangements.

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



Notes:

- (1) Hangzhou Kangming is held as to 99.2% and 0.8% by Mr. Kuang and Ms. Hu Yue, head of human resources of our Group, respectively.
- (2) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (3) “--->” denotes contractual relationship.
- (4) “----” denotes the control by 91health Hangzhou over the Registered Shareholders and the Consolidated Affiliated Entities through (i) powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in the Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in the Consolidated Affiliated Entities.

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Summary of the material terms of the Contractual Arrangements

Exclusive Consulting Services Agreement

91health Hangzhou and Hangzhou Kangming entered into an exclusive consulting services agreement on June 16, 2021 and subsequently restated and amended on October 11, 2021 (the "**Exclusive Consulting Services Agreement**"), pursuant to which Hangzhou Kangming agreed to engage 91health Hangzhou as the exclusive provider to Hangzhou Kangming and its subsidiaries of technical consultancy, technical support, and other services which may include:

- (i) provision of advices on business management;
- (ii) provision of advices on IT system and other technical support;
- (iii) provision of business development; marketing and promotion;
- (iv) provision of development, maintenance and upgrade of software and IT system;
- (v) provision of human resources support;
- (vi) provision of leasing services to equipment; and
- (vii) other services requested from time to time.

Without 91health Hangzhou's prior written consent, Hangzhou Kangming shall not, and shall procure its subsidiaries not to, receive services which are identical or similar to the services covered by the Exclusive Consulting Services Agreements from any third party.

In consideration of the services provided by 91health Hangzhou, Hangzhou Kangming shall pay to 91health Hangzhou services fees which is determined by 91health Hangzhou by taking into account such factors as (a) the complexity and difficulty of the services involved, (b) the time taken for the services, (c) the scope of service and its commercial value, and (d) the market reference price for services of similar kinds, and (e) the operation status of Hangzhou Kangming. The service fees shall be paid to 91health Hangzhou by Hangzhou Kangming on such time as agreed by both parties.

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91health Hangzhou has the exclusive and proprietary rights and interest to all intellectual properties, in irrespective of being developed by Hangzhou Kangming or by 91health Hangzhou. Without the prior written consent of 91health Hangzhou, Hangzhou Kangming shall not, and shall procure its subsidiaries not to, transfer, assign, pledge, or by any other means dispose of any of such intellectual properties.

The Exclusive Consulting Services Agreement shall remain effective until, among others, the date on which 91health Hangzhou or the party designated by 91health Hangzhou is formally registered as the shareholder of Hangzhou Kangming, in the case where 91health Hangzhou is permitted by the PRC laws to directly hold the shares of Hangzhou Kangming and 91health Hangzhou and its subsidiaries and affiliates are allowed to engage in the Relevant Businesses being currently operated by Hangzhou Kangming.

Exclusive Purchase Option Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the Registered Shareholders entered into an exclusive purchase option agreement on June 16, 2021 subsequently restated and amended on October 11, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into an exclusive purchase option agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a “**Exclusive Purchase Option Agreement**” and collectively the “**Exclusive Purchase Option Agreements**”), pursuant to which 91health Hangzhou, or its offshore parent company or its directly or indirectly owned subsidiaries was granted an irrevocable and exclusive right by the Registered Shareholders and Hangzhou Kangming to purchase from each of the Registered Shareholders and Hangzhou Kangming all or any part of their respective equity interest in the Consolidated Affiliated Entities and to require the Consolidated Affiliated Entities to transfer any or of its assets to 91health Hangzhou, or its offshore parent company or its directly or indirectly owned subsidiaries.

The Registered Shareholders and Hangzhou Kangming irrevocably covenanted that unless with prior written consent by 91health Hangzhou, the Registered Shareholders and Hangzhou Kangming shall not sell, transfer, pledge, or otherwise dispose of all or any part of its equity interest in the Consolidated Affiliated Entities.

The purchase price payable by 91health Hangzhou or its designee in respect of the transfer of the entire equity interest and/or the total assets of the Consolidated Affiliated Entities shall be RMB24,000,000, which is equivalent to the principal loan amount under the Loan Agreement (such purchase price may be proportionally adjusted where only part of such interest is purchased), or

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the minimum price required by competent PRC authorities under PRC laws where such minimum price is above RMB24,000,000 and the Registered Shareholders shall return the purchase price in full to 91health Hangzhou or its designee.

The Exclusive Purchase Option Agreements shall remain effective until, among others, all the equity interest in and/or all assets of the Consolidated Affiliated Entities has been transferred to 91health Hangzhou and/or its designee, and registration has been completed for the change of members.

The Consolidated Affiliated Entities and the Registered Shareholders, among other things, have covenanted that:

- (i) without 91health Hangzhou's prior written consent, they shall not amend the business scope or articles of association of the respective Consolidated Affiliated Entities, or change its registered capital or capital structure in any way;
- (ii) they shall maintain the Consolidated Affiliated Entities' corporate existence and operate its business and handle its affairs prudently and efficiently, and shall not cause the Consolidated Affiliated Entities to be subject to liquidation, wind-down, termination or dissolution;
- (iii) without 91health Hangzhou's prior written consent, they shall not sell, transfer, grant, pledge or otherwise dispose, or procure the management to sell, transfer, grant, pledge or otherwise dispose, legal or beneficial interest in any asset (be it tangible or intangible), business or revenues of the Consolidated Affiliated Entities stated in the most recent audited financial statements;
- (iv) they shall not terminate or procure the management to terminate any Contractual Arrangements executed by the Consolidated Affiliated Entities, or execute any agreements that conflict with the Contractual Arrangements;
- (v) they shall not incur or allow the Consolidated Affiliated Entities to incur any debts that exceed 15% of the Consolidated Affiliated Entities' total assets as stated in its most recent audited financial statements, other than: (i) debt incurred in the ordinary and normal course of business; and (ii) debt that is disclosed and agreed to by 91health Hangzhou in writing;

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- (vi) they shall maintain the ordinary business operations of the Consolidated Affiliated Entities so as to maintain the value of the assets of the Consolidated Affiliated Entities, and shall not take any action or omission which could have an adverse effect upon its business operation or asset value;
- (vii) they shall obtain 91health Hangzhou's prior written consent before the Consolidated Affiliated Entities enters into any material contract (a contract, for the purpose of this paragraph, is material if the transaction amount in relation thereto exceeds 15% of the net profit of the Consolidated Affiliated Entities as stated in its most recent financial statements) other than contracts entered into in the ordinary and normal course of business;
- (viii) subject to applicable Laws, the Consolidated Affiliated Entities shall not provide any loans or securities that exceed 15% of the Consolidated Affiliated Entities' total assets as stated in its most recent audited financial statements to any person without 91health Hangzhou's prior written consent;
- (ix) 91health Hangzhou may require the Consolidated Affiliated Entities to provide to 91health Hangzhou all information relating to operation and financial status of the Consolidated Affiliated Entities from time to time, or otherwise the same is required to be provided to 91health Hangzhou within 10 days of the end of each quarter;
- (x) at the request of 91health Hangzhou, they shall each purchase and maintain insurance for the assets and business of the Consolidated Affiliated Entities from an insurance company in line with the requirements of 91health Hangzhou;
- (xi) without 91health Hangzhou's prior written consent, they shall not procure or consent the Consolidated Affiliated Entities to divest, or merge or form a joint venture with any entities, or acquire any entities or be acquired by any person or entities, or make investment in any entities;
- (xii) they shall immediately notify 91health Hangzhou and take all necessary actions pursuant to the reasonable requirements of 91health Hangzhou when there are lawsuits, arbitrations or administrative procedures which will occur or may occur relating to the assets, business and revenues of the Consolidated Affiliated Entities;
- (xiii) they shall execute all necessary or proper documents, take all necessary or proper actions, propose all necessary or proper claims, or conduct all necessary and proper defense against all claims of indemnifications;

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- (xiv) without 91health Hangzhou's prior written consent, the Consolidated Affiliated Entities shall not pay any bonuses and/or dividends. The Consolidated Affiliated Entities shall allocate the earnings generated from the shares to the Registered Shareholders immediately upon 91health Hangzhou's demand;

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

- (i) without 91health Hangzhou's prior written consent, they shall not sell, transfer, pledge or dispose legal or beneficial interest in the Consolidated Affiliated Entities, or impose any encumbrances on such rights and interests, other than creation of the pledge, delegation and exclusive purchase option of the Consolidated Affiliated Entities shares pursuant to the Contractual Arrangements;
- (ii) shall not engage in any business operation or conduct in any manner which may impose an adverse impact on the reputation of the Consolidated Affiliated Entities;
- (iii) without 91health Hangzhou's prior written consent, they shall not vote for or support, or execute any resolution at shareholders' meetings of the respective Consolidated Affiliated Entities to approve the sale, transfer, pledge, or disposal of legal or beneficial interest of any shares or assets, or allow creation of any encumbrances thereon, other than to 91health Hangzhou or its designated persons;
- (iv) without 91health Hangzhou's prior written consent, they shall not vote for or support, or execute any resolution at shareholders' meetings of the respective Consolidated Affiliated Entities to approve a merger, or consolidation, or acquisition by any person, or divestment of the respective Consolidated Affiliated Entities, or change in registered capital or its corporate status;
- (v) the Registered Shareholders and Hangzhou Kangming shall not instruct the Consolidated Affiliated Entities to pay any dividends or bonus or to convene a shareholders' meeting in relation thereto, or to vote in favour of such matter at such meeting;
- (vi) without 91health Hangzhou's prior written consent, they shall not appoint or replace any directors, supervisors, or any managers of the Consolidated Affiliated Entities who shall be appointed by Registered Shareholders or Hangzhou Kangming, and once requested by 91health Hangzhou, they shall appoint or hire the Person designated by 91health Hangzhou immediately to be the directors and senior executives of the Consolidated Affiliated Entities; and

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(vii) they shall abide strictly by the Contractual Arrangement, perform the obligations under such agreements effectively, and not take any actions or omissions which may adversely affect the validity and enforceability of such agreements.

Equity Pledge Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the then Registered Shareholders entered into an equity pledge agreement on June 16, 2021 and subsequently restated and amended on October 11, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into an equity pledge agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a “**Equity Pledge Agreement**” and collectively the “**Equity Pledge Agreements**”), pursuant to which, the then Registered Shareholders and Hangzhou Kangming pledged all of their respective equity interests in the Consolidated Affiliated Entities to 91health Hangzhou as collateral security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Among others things, the Registered Shareholders and Hangzhou Kangming have warranted and undertaken that without 91health Hangzhou’s prior written consent, they shall not, or allow all any other part(ies), transfer or otherwise dispose of the pledged shares, or allow creation of any encumbrances thereon.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), 91health Hangzhou may, at any time thereafter, serve a Default Notice to the Registered Shareholders and Hangzhou Kangming, upon which 91health Hangzhou may (1) demand all the outstanding payment due according to the Exclusive Consulting Service Agreement, and/or (2) exercise its right of pledge according to the Equity Pledge Agreement, or otherwise dispose of the pledged equity interest in accordance with applicable Laws. 91health Hangzhou may exercise such right of pledge based on its own independent judgement. The Registered Shareholders and the Consolidated Affiliated Entities have covenanted to unconditionally collaborate with 91health Hangzhou when 91health Hangzhou exercises such right of pledge. 91health Hangzhou shall bear no responsibilities for any direct or indirect loss incurred consequent upon its exercise of such right of pledge.

The Equity Pledge Agreements shall remain effective until, among others, the Consolidated Affiliated Entities and the Registered Shareholders have recorded the release of such pledged shares in the Register of Members and completed relevant deregistration procedure.

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Voting Proxy Agreements

(i) 91health Hangzhou, Hangzhou Kangming and the then Registered Shareholders entered into a shareholder voting rights proxy agreement on June 16, 2021 and (ii) each of Yinchuan Zhiyun Internet Hospital, Chengdu Zhiyun Internet Hospital, Tianjin Zhiyun and Yinbang Insurance Brokerage entered into a voting proxy agreement with 91health Hangzhou and Hangzhou Kangming on March 1, 2022 (each a “**Voting Proxy Agreement**” and collectively the “**Voting Proxy Agreements**”), pursuant to which each of the then Registered Shareholders and Hangzhou Kangming unconditionally and irrevocably agrees to appoint 91health Hangzhou and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning the Consolidated Affiliated Entities and to exercise all of their rights as shareholder of the Consolidated Affiliated Entities, including, among others:

- (i) to propose, convene and attend shareholders’ meetings, and to exercise the minutes and resolutions of such meetings or other legal documents;
- (ii) to exercise voting rights vested on the Registered Shareholders and Hangzhou Kangming under the articles of association of the Consolidated Affiliated Entities and the PRC laws (including but not limited to, transfer or disposal of shares and/or assets of the Consolidated Affiliated Entities, dissolution and liquidation of the Consolidated Affiliated Entities, formation of a liquidation committee and approval of liquidation report);
- (iii) to execute any and all documents which shall be executed by Registered Shareholders and Hangzhou Kangming and to submit such documents for the purpose of filing to the company registration authority; and
- (iv) to exercise any other rights of shareholders provided under PRC laws or the articles of associations of the Consolidated Affiliated Entities.

Pursuant to the Voting Proxy Agreements, 91health Hangzhou is entitled to assign all or part of its rights to any other individuals and/or entities at its sole discretion, without first giving notification to, or seeking prior consent from, the Consolidated Affiliated Entities or Registered Shareholders. As a result of the Voting Proxy Agreements, the Company, through 91health Hangzhou, is able to exercise management control over the activities that most significantly impact the economic performance of the Consolidated Affiliated Entities.

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The Voting Proxy Agreements, shall remain effective until, among others, 91health Hangzhou, and/or its offshore shareholders, and/or its subsidiaries and affiliates are permitted by the PRC laws to directly hold the shares of the Consolidated Affiliated Entities and are allowed to engage in the business being currently operated by the Consolidated Affiliated Entities.

Loan Agreement

91health Hangzhou and Mr. Kuang entered into a loan agreement dated June 16, 2021, (the “**Loan Agreement**”), pursuant to which 91health Hangzhou agreed to provide a loan of RMB24,000,000 to Mr. Kuang to finance subscription of increased registered capital of Hangzhou Kangming.

The parties agree that the term of the Loan Agreement commences from the date of the agreement and ends on the tenth (10) anniversary since the execution of the Loan Agreement, or on such date as determined by 91health Hangzhou. The loan shall be repaid, among other things, by the transfer of Acquired Interests under the Loan Agreement from the borrower to 91health Hangzhou or its designee.

Other aspects of the Contractual Arrangements

Spousal consent

The spouse of Mr. Kuang signed a spousal consent letter, pursuant to which the signing spouse unconditionally and irrevocably agrees that in respect of Exclusive Consulting Services Agreement, Exclusive Purchase Option Agreement, Equity Pledge Agreement, Loan Agreement, Voting Proxy Agreement (the “**Transaction Documents**”), (1) she will take any necessary measures to procure the execution of the Transaction Documents (as amended from time to time); (2) she has no objection regarding Mr. Kuang signing and execution of such Transaction Documents (as amended from time to time), and will not make any claims on the interests; and (3) she will subject herself to the Transaction Documents in the event that she acquires any of the shares held by Mr. Kuang by any means.

Powers of Attorney

Pursuant to the Power of Attorney executed by each of the Registered Shareholders in favour of 91health Hangzhou (the “**Powers of Attorney**”), each of the Registered Shareholders authorised 91health Hangzhou as their representative to exercise all of their voting rights and other shareholder rights in Hangzhou Kangming, including (i) to convene and participate in the general meetings of Hangzhou Kangming, to execute the minutes and resolutions of such meetings, and to exercise voting rights on all matters, (ii) to make any resolutions on the disposal of Hangzhou

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Kangming's assets, (iii) to make any resolutions on the dissolution and liquidation of Hangzhou Kangming, and (iv) to decide on any transfer or otherwise dispose of the shares held by them in Hangzhou Kangming. Each of the Powers of Attorney shall constitute a part of and embody the terms of the Voting Proxy Agreement.

Dispute resolution

In the event of any dispute under the Contractual Arrangements, each of them provides that:

- (a) all disputes shall first be settled through friendly negotiation;
- (b) if such dispute fails to be resolved by negotiations within thirty days, any party shall have the right to submit the disputes to the China International Economic and Trade Arbitration Commission (Shanghai), and such dispute shall be arbitrated in Chinese language in accordance with the then prevailing arbitration rules by three arbitrators in Shanghai, China, with such arbitration award final and binding on all parties to the arbitration;
- (c) prior to the final award, the arbitration institution shall have the right to grant 91health Hangzhou with appropriate legal remedies, including relevant remedial measures regarding the shares or assets or property rights of the Consolidated Affiliated Entities, remedial injunctions, and dissolution or liquidation of the Consolidated Affiliated Entities; and
- (d) subject to, and in compliance with, PRC laws, competent courts (including the courts of China, Hong Kong, the Cayman Islands and the place where the principal assets of our Consolidated Affiliated Entities are located) have the power to grant interim remedies before the formation of the arbitral tribunal or in appropriate cases to support arbitration.

Our PRC Legal Adviser has, however, advised that: (i) a tribunal normally would not grant such kind of injunctive relief or winding up order of the Consolidated Affiliated Entities under PRC laws; (ii) interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

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As a result of the above, in the event that any of our Consolidated Affiliated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk factors — Risks Related to Our Corporate Structure” for details.

Succession

Each of the Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the Civil Code, the statutory successors include one’s spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, 91health Hangzhou can enforce its rights against the successors.

Under the Exclusive Purchase Option Agreement, Equity Pledge Agreement and Voting Proxy Agreement, each Registered Shareholders has undertaken that: (i) any change of its controlling shareholder (or general partners) or de facto controlling person shall not affect direct shareholding in the Consolidated Affiliated Entities, and will not prevent the Registered Shareholder from performing its obligation therein; (ii) in the event of merger, division, dissolution, liquidation, bankruptcy or cancellation of the Registered Shareholder, the successor of such Registered Shareholder shall be deemed as a signatory to the agreement and undertake all of the rights and obligations of such Registered Shareholder, and (iii) in the event of death, divorce, bankruptcy, liquidation or other circumstances, its spouse, successor, liquidator or any other person or entity who directly or indirectly obtains such rights due to such event will not be prejudicial or disruptive to performance of the agreement.

Under the spousal consent, the spouse has confirmed that in the event that the spouse acquires any equity interest in Hangzhou Kangming held by Mr. Kuang by any means, the spouse shall subject herself to the Contractual Arrangements where Mr. Kuang is a party and comply with such obligations under the Contractual Arrangements and for this purpose, sign a series of written documents substantially in the same form and content as Mr. Kuang signed upon the request of 91health Hangzhou.

Based on the above, our PRC Legal Adviser has advised that: (i) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders; and (ii) loss of capacity, death, bankruptcy, marriage or divorce (if applicable) of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and 91health Hangzhou can enforce its rights under the Contractual Arrangements against the successors of such shareholders.

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Conflicts of interest

Although only one of the Registered Shareholders (namely Mr. Kuang) is also our director and officer, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the irrevocable Powers of Attorney, the Registered Shareholders appointed 91health Hangzhou, or any person designated by 91health Hangzhou (acting under the direction or instructions of 91health Hangzhou), as their respective attorney-in-fact to appoint directors and vote on their behalf on all matters of our Hangzhou Kangming requiring approval under their articles of associations and under the relevant PRC laws.

Loss sharing

Neither the agreements constituting the Contractual Arrangements nor PRC laws provide or require that our Company or 91health Hangzhou be obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses with assets and properties owned by it.

Despite the foregoing, given that our Group conducts its businesses in the PRC through our Consolidated Affiliated Entities which hold the requisite PRC licences and approvals, and that our Consolidated Affiliated Entities’ financial condition and results of operations are consolidated into our Company’s financial statements under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on 91health Hangzhou and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

Liquidation

Pursuant to the Voting Proxy Agreement, the Registered Shareholders have undertaken that 91health Hangzhou or its designee are entitled to appoint members of the liquidation committee of the respective Consolidated Affiliated Entities upon the winding up of the respective Consolidated Affiliated Entities. Pursuant to the Exclusive Purchase Option Agreement, in the event of a dissolution or liquidation, all of the remaining assets of the respective Consolidated Affiliated Entities shall be transferred to 91health Hangzhou after such dissolution or liquidation pursuant to PRC laws.

CONTRACTUAL ARRANGEMENTS

Insurance

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

Our confirmation

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

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that:

1. the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, the contents of each agreement do not violate the mandatory provisions of current PRC laws, except in the following cases: under the current PRC laws, the arbitration body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, therefore the injunctive relief and other temporary relief measures under Contractual Arrangements may not be legally and effectively enforced under current PRC law;
2. the consummation of the Contractual Arrangements does not violate the M&A Rules;
3. the execution and performance of the Contractual Arrangements would not fall within the circumstances which cause such arrangements to be deemed as invalid civil juristic act under the PRC Civil Code (中華人民共和國民法典);
4. the execution and performance of the Contractual Arrangements do not violate the provisions of the articles of association of 91health Hangzhou and the respective Consolidated Affiliated Entities; and
5. the execution of the Contractual Arrangements does not require any approvals or authorisations from PRC governmental authorities, except that:
 - (a) the pledge of any equity interest in the Consolidated Affiliated Entities in favour of 91health Hangzhou is subject to registration requirements with the relevant administration for market regulation, which was completed on August 17, 2021 and [•], 2022, respectively;

CONTRACTUAL ARRANGEMENTS

- (b) the exercise by 91health Hangzhou of its option rights under the Exclusive Purchase Option Agreements to acquire all or part of the equity interests in the Consolidated Affiliated Entities is subject to the approval of, consent of, filing with and/or registration with PRC governmental authorities;
- (c) the transfer of the equity interest in the Consolidated Affiliated Entities contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws;
- (d) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and
- (e) under PRC laws, an arbitral body does not have the power to grant any injunctive relief, requiring civil entities to act or not to act, or requiring winding-up of each of our Consolidated Affiliated Entities as interim remedies.

Based on all of the above, our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Company to control our Consolidated Affiliated Entities that engage in the operation of Relevant Businesses where PRC laws restrict foreign ownership.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

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

Under the Exclusive Consulting Services Agreement, it was agreed that, in consideration of the services provided by 91health Hangzhou, Hangzhou Kangming will pay services fees to 91health Hangzhou. The services fees, subject to 91health Hangzhou’s adjustment, are equal to the entirety of the total consolidated profit of Hangzhou Kangming (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant Laws to be reserved or withheld). 91health Hangzhou may adjust the services scopes and fees at its discretion in accordance with China tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. 91health Hangzhou also have the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, 91health Hangzhou has the ability, at its sole discretion, to extract all of the economic benefit of Hangzhou Kangming and its subsidiaries through the Exclusive Consulting Services Agreement.

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In addition, under the Exclusive Consulting Services Agreement and the Exclusive Purchase Option Agreement, 91health Hangzhou has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as 91health Hangzhou's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant Laws) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through 91health Hangzhou and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in note 1 to the Accountants' Report in Appendix I to this document.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (iv) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of 91health Hangzhou and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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The Company also undertakes to restructure its Contractual Arrangements, including to adjust the equity interest held through its Contractual Arrangements when required by the relevant governmental authority, to comply with the latest PRC regulations, including the Decision of the State Council on Amending or Abolishing Certain Administrative Regulations, which came into effect on May 1, 2022.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and Relevant Businesses will not be materially and adversely affected in the future due to changes in PRC laws. See “Risk factors — Risks Related to Our Corporate Structure — Our current corporate structure and business operations may be affected by the Foreign Investment Law”.