
CONTRACTUAL ARRANGEMENTS

BACKGROUND

Our Consolidated Affiliated Entities, being Sinohealth Information and its subsidiaries after Reorganization were all established under PRC laws. As described below, investment in certain areas of the industries in which we currently operate and may operate are subject to restrictions under current PRC laws and regulations. To be in line with common practice in the PRC for industries subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently and to be operated by our Consolidated Affiliated Entities through the Contractual Arrangements between WFOE, on the one hand, and Sinohealth Information and the Registered Shareholders, on the other hand.

In order to comply with the relevant PRC laws and regulations, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities. The Contractual Arrangements were entered into on 8 June 2021, whereby WFOE acquired effective control over the financial and operational policies of our Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. As a result, we do not directly own any equity interest in our Consolidated Affiliated Entities.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between WFOE, on the one hand, and Sinohealth Information and the Registered Shareholders, on the other hand; (ii) by entering into Business Cooperation Agreements with WFOE, being an indirect wholly-owned subsidiary of our Company, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after [REDACTED]; and (iii) a number of other companies in the same or similar industries to those in which we operate use similar arrangements to accomplish the same purpose. 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 minimize the potential for conflict with relevant PRC laws and regulations.

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, the revenue contribution of the Consolidated Affiliated Entities accounted for 100.0%, approximately 99.4%, 99.7% and 35.3% of our Group's total revenue, respectively, and the Consolidated Affiliated Entities contributed 100%, approximately 99.7%, 96.9% and 32.0% to our Group's net profit for the corresponding year/period, respectively.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

There are restrictions or prohibitions in the PRC with respect to foreign investment in certain business and industry (the "**FI Restrictions**") under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (the "**Negative List**") and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (the "**Encouraging Catalog**"), which were promulgated and are amended from time to time jointly by MOFCOM and the NDRC. The Negative List and the Encouraging Catalog divide industries into four categories in terms of foreign investment, namely, "encouraged", "restricted", "prohibited" and "permitted" (the last category of which includes all industries not listed under the "encouraged", "restricted" and "prohibited" categories).

CONTRACTUAL ARRANGEMENTS

Our Consolidated Affiliated Entities engage in the production and publication of videos and micro films and intend to engage in the (i) provision of internet information services; and (ii) provision of internet data center services (互聯網數據中心服務) (including internet resources cooperation services) (together, the "**Relevant Businesses**") during the course of their businesses, which are subject to FI Restrictions. Our businesses other than the Relevant Businesses are not subject to any restrictions under the FI Restrictions (the "**Non-restricted Businesses**"). A summary of the Relevant Businesses is set out below:

<u>Categories</u>	<u>Our business/operation</u>
Prohibited <i>(production and publication of videos and micro films)</i>	<p>We produce and publish videos and micro films to our clients which is subject to the Radio and Television Program Production and Operation Permit (廣播電視節目製作經營許可證) (the "RTPPO Permit"). Sinohealth Information currently holds the RTPPO Permit issued by Radio and Television Administration of Guangdong Province (廣東省廣播電視局) ("Guangdong RTA").</p> <p>According to the Negative List and other applicable PRC laws, foreign investors are prohibited from holding equity interests in any enterprise holding the RTPPO Permit. Such prohibition was confirmed during an interview with an officer of Guangdong RTA by our PRC Legal Advisers and the PRC legal advisers to the Sole Sponsor in May 2021 (the "Guangdong RTA Interview"). Our PRC Legal Advisers are of the view that (i) the Guangdong RTA is the competent authority and the relevant officer is authorized to provide such confirmation; and (ii) to maintain the business operation of Sinohealth Information in compliance with applicable PRC laws and local governmental authorities' requirement, Sinohealth Information must continue to hold the RTPPO Permit.</p>

CONTRACTUAL ARRANGEMENTS

Categories	Our business/operation
Restricted <i>(businesses subject to the ICP License and IDC License)</i>	<p>We intend to provide (i) internet information services and (ii) internet data center services (including internet resources cooperation services) through online platforms owned and developed by our Group, which will be subject to the ICP License and IDC License, respectively. We have established several websites and intend to develop applications and other online platforms to provide our services under our Smart Retail Cloud of SaaS to third parties in the future, such as online exhibition, online information searching, online advertisement and other commercial internet information services. The internet information services fall within a sub-category of value-added telecommunication services under the Negative List and are therefore subject to foreign ownership restrictions and an ICP License is required, which will be carried out by Sinohealth Information, Guangzhou Jiasi and Sinohealth Junyi, each of which holds an ICP License. Guangzhou Xinkang, Hainan Sinohealth, Guangzhou Xinshun, Jiangxi Xinshun, Sinohealth Jianshu and Guangzhou Zhuomuniao are intended to provide the aforementioned internet information services including online exhibition, online information searching and other commercial internet information services through our future applications and other online platforms.</p> <p>Each of Sinohealth Information and Guangzhou Jiasi currently holds an ICP License issued by Communications Administration of Guangdong Province (廣東省通信管理局) ("Guangdong Communications Administration"). Sinohealth Junyi currently holds an ICP License issued by Beijing Communications Administration (北京市通信管理局) ("Beijing Communications Administration"). Sinohealth Information has obtained the IDC License issued by the Guangdong Communications Administration in November 2021.</p>

CONTRACTUAL ARRANGEMENTS

Categories

Our business/operation

According to the Regulations for the Administration of Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet information services (requiring an ICP License) and internet data center services (including internet resources cooperation services) (requiring IDC License). In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the “**Qualification Requirements**”). Based on the interview with an officer of the information and communication development department (信息通信發展司) of the MIIT in June 2021 (“**Communications Administration Interview**”) by our PRC Legal Advisers and the PRC legal advisers to the Sole Sponsor, (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 and IDC services, (ii) a major foreign investor who invests in a value-added telecommunications business in the PRC must meet the Qualification Requirements; (iii) the applications for ICP License and IDC License by any foreign investor and the fulfillment of the Qualification Requirements are subject to substantive review by the MIIT on a case-by-case basis, and the MIIT has not approved any such applications which involves business both in foreign-invested medical health and foreign-invested value-added telecommunication; (iv) as confirmed by the MIIT, none of our offshore companies could meet the Qualification Requirements; and (v) given that according to China’s specific commitment under the Protocol on the WTO Accession of PRC (中華人民共和國加入WTO議定書), the internet data center and internet resource collaboration services, being the subsectors of value-added telecommunication services, do not belong to the sectors that China has undertaken to open to foreign investment, and in consideration of the ICP Licenses our Group has already obtained, according to the current regulatory review practice, our Group would not be allowed to hold the IDC License and ICP License at the same time even if our Group meets the Qualification Requirements through any Sino-foreign equity joint venture entity (of which the Group holds 50% or less equity interest, 50% being the maximum equity interest permissible to be held under the Negative List). As such, our Company could only control the Consolidated Affiliated Entities through the Contractual Arrangements. For further details, see “—Qualification Requirements under FITE Regulations” in this section. Our PRC Legal Advisers are of the view that MIIT is the competent authority and the relevant officer is authorized to provide such confirmation.

CONTRACTUAL ARRANGEMENTS

For further details of the FI Restrictions, see "Regulatory Overview" in this document.

Save for Sinohealth Information, none of our Consolidated Affiliated Entities is expected to have any substantive business operations in relation to the Relevant Businesses by the time of the [REDACTED]. We will not conduct any businesses that are not subject to foreign investment restrictions or prohibitions through these entities or, to the extent that they do, we will transfer such entities outside of the Contractual Arrangements structure prior to engaging in any non-restricted businesses.

As a result of the foregoing, on 8 June 2021, we, through WFOE, entered into a series of Contractual Arrangements with Sinohealth Information and the Registered Shareholders to conduct the Relevant Businesses in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all economic benefits of the Consolidated Affiliated Entities. The Contractual Arrangements include the following agreements: (i) Business Cooperation Agreement, (ii) Exclusive Option Agreement, (iii) Equity Pledge Agreement, and (iv) Voting Rights Proxy Agreement.

To ensure the Contractual Arrangements are narrowly tailored under the requirement of the [REDACTED], we have taken the following measures: (i) transferred the Non-restricted Businesses to WFOE and its subsidiaries; and (ii) progressively built up track record of our overseas value-added telecommunications services business to meet the Qualification Requirements under the FITE Regulations.

After taking the foregoing measures, we are of the view that the Contractual Arrangements are narrowly tailored, as they are used to enable our Group to conduct business in industries that are subject to foreign investment restrictions or prohibitions in the PRC. Nevertheless, we will terminate the Contractual Arrangements to the extent permissible and directly hold the maximum percentage of ownership interests permissible by the relevant laws if the relevant governmental authority grants the ICP License, IDC License or RTPPO Permit to the Sino-foreign equity joint venture or the wholly foreign-owned enterprise established by us.

Transfer of the Non-restricted Businesses to WFOE and its Subsidiaries

To ensure the Contractual Arrangements are narrowly tailored, we have been negotiating with our clients regarding the transfer of the Non-restricted Businesses from the Consolidated Affiliated Entities to WFOE and its subsidiaries since the inception of the Reorganization. The entities which carried out the Non-restricted Businesses include Sinohealth Information, Guangzhou Xinkang, Guangzhou Xinshun, Sinohealth Jianshu, Sinohealth Tong, Sinohealth Pushi and Sinohealth Junyi. As at the Latest Practicable Date, a majority of our clients have agreed to transfer the Non-restricted Businesses to WFOE or its subsidiaries. As at 30 September 2021, the total outstanding contract amount of the Non-restricted Businesses

CONTRACTUAL ARRANGEMENTS

remaining with the Consolidated Affiliated Entities amounted to approximately RMB16.5 million, which involved 109 contracts for 87 clients, details of which are set out below:

Non-restricted Businesses remaining with the Consolidated Affiliated Entities	Number of clients involved	Number of contracts involved	Outstanding contract amount as at	Revenue in respect of the outstanding	
			30 September 2021 (RMB million)	For the year ending 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)
			(a)=(b)+(c)	(b)	(c)
<i>On or before 31 December 2021</i>					
To be completed	59	66	3.4	3.4	–
To be transferred to WFOE and its subsidiaries	12	16	6.8	1.8	5.0
<i>After 31 December 2021</i>					
To remain with the Consolidated Affiliated Entities after the [REDACTED]	16	27	6.3	4.2	2.1
Total	87	109	16.5	9.3	7.1

For the year ending 31 December 2022, the amount of the Non-restricted Businesses remaining with the Consolidated Affiliated Entities after the [REDACTED] is estimated to be approximately RMB2.1 million.

The Non-restricted Businesses that are expected to remain with the Consolidated Affiliated Entities after 31 December 2021 (the “**Remaining Non-restricted Businesses**”) are principally contracts with a term of or less than one-year with contract amount ranging from RMB8,302 to RMB0.5 million per contract. The total outstanding contract amount of the Remaining Non-restricted Businesses amounted to approximately RMB16.5 million as at 30 September 2021. As at 31 December 2021, a majority of the relevant services under the outstanding contracts of the Remaining Non-restricted Businesses have been completed with the remaining ones to be completed in any event by the end of 2022.

As confirmed by our Directors, most of the clients involved in the Remaining Non-restricted Businesses are unwilling to renew the existing contracts to WFOE taking into account the relatively short remaining contract terms and the cumbersome internal procedures to go through. Nevertheless, all the relevant clients have agreed to renew their contracts with WFOE if they continue to procure our services upon completion of the existing contracts. Our Directors therefore do not foresee any difficulty in entering into the new contracts for the Remaining Non-restricted Businesses with the relevant clients in the name of WFOE. Our Directors also

CONTRACTUAL ARRANGEMENTS

confirmed that no new contract in relation to the Non-restricted Business have been and will be signed by our Consolidated Affiliated Entities with the clients involved in the Non-restricted Business after 30 September 2021.

As a mitigating measure to narrowly tailor the Contractual Arrangements and to substantially transfer the Remaining Non-restricted Businesses to WFOE, to the extent permitted by the relevant PRC laws and not restricted under the relevant contracts, Sinohealth Information will subcontract the Remaining Non-restricted Businesses to WFOE (the "**Mitigation Measure**"). Under the Mitigation Measure, Sinohealth Information will transfer the entire fee received from the relevant clients to WFOE given the Remaining Non-restricted Businesses are substantially conducted by WFOE.

Qualification Requirements under FITE Regulations

On December 11, 2001, the State Council promulgated the FITE Regulations, which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including internet information services (requiring an ICP License) and internet data center services (requiring an IDC License). In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas (the "**Qualification Requirements**"). The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, satisfactory proof of the Qualification Requirements, but it does not set out further details on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement.

Our Group currently has three entities that possess ICP licenses, namely Sinohealth Information, Guangzhou Jiasi and Sinohealth Junyi. Sinohealth Information obtained an IDC License in November 2021. Based on Communications Administration Interview, being the relevant competent authority as advised by our PRC Legal Advisers, (i) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including internet information services (requiring an ICP License) and internet data center services (requiring an IDC License); (ii) a major foreign investor who invests in a value-added telecommunications business in the PRC must meet the Qualification Requirements; (iii) the application for an ICP License by any foreign investor and the fulfillment of the Qualification Requirements are subject to substantive review by the MIIT on a case-by-case basis, and the MIIT has not approved any such application which involves business both in foreign-invested medical health and foreign-invested value-added telecommunication; (iv) as confirmed by the MIIT, none of our offshore companies could meet the Qualification Requirements; and (v) given that according to China's specific commitment under the Protocol on the WTO Accession of PRC (中華人民共和國加入WTO議定書), the internet data center and internet resource collaboration services, being the subsectors of value-added telecommunication services, do not belong to the sectors that China has undertaken to open to foreign investment, and in consideration of the ICP Licenses our Group has already obtained,

CONTRACTUAL ARRANGEMENTS

according to the current regulatory review practice, our Group would not be allowed to hold the IDC License and ICP License at the same time even if our Group meets the Qualification Requirements through any Sino-foreign equity joint venture entity (of which the Group holds 50% or less equity interest, 50% being the maximum equity interest permissible to be held under the Negative List). As such, our Company could only control the Consolidated Affiliated Entities through the Contractual Arrangements.

We intend to build up our track record of overseas value-added telecommunications services business operation for the purposes of being qualified, as early as possible, to acquire the maximum permissible equity interests in Sinohealth Information, Guangzhou Jiasi and Sinohealth Junyi when the relevant PRC laws allow foreign investors to invest and to directly hold equity interest in value-added telecommunications services enterprises in the PRC. We intend to expand our overseas value-added telecommunications services business through our overseas subsidiaries and have taken the following measures to meet the Qualification Requirements:

- (a) we have applied for, and are in the process of registering trademarks outside the PRC for the expansion of business operations overseas as and when appropriate;
- (b) we have incorporated a subsidiary in Hong Kong, namely Sinohealth HK, which can be readily serviced as an overseas platform when it expands its business outside the PRC;
- (c) we are in the process of constructing our overseas website, primarily for introducing our relevant businesses to overseas users; and
- (d) we have considered expansion plans for overseas market and have further conducted overseas market and overseas investment feasibility research.

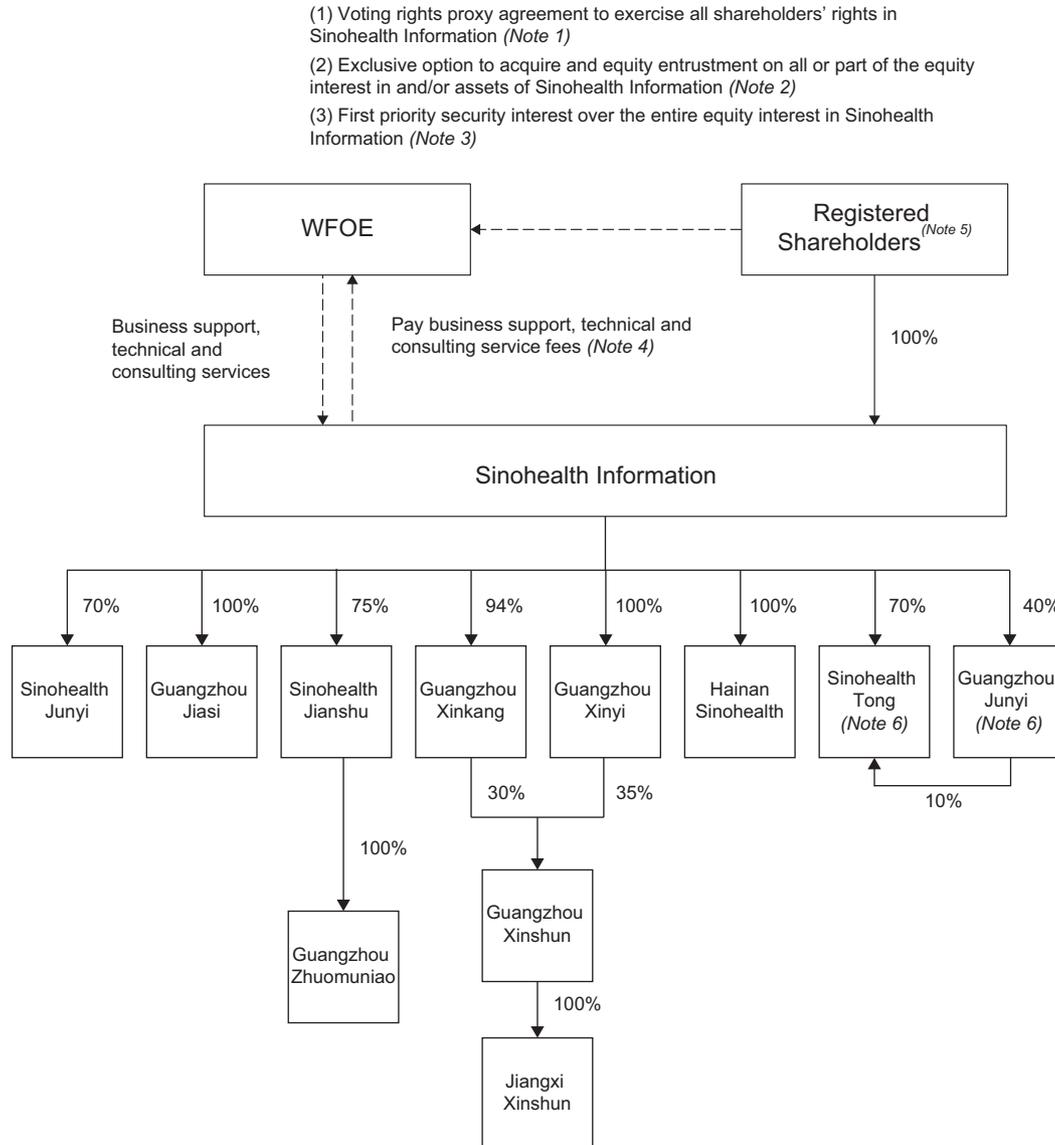
According to the Communications Administration Interview, the MIIT officer confirmed that we may establish overseas companies and overseas websites to gradually building up our track record of overseas telecommunications business operations and accumulate the experience in providing value-added telecommunications services in overseas markets. Hence, subject to the discretion of the competent authority on whether our Group has fulfilled the Qualification Requirements, our PRC Legal Advisers are of the view that the above steps are reasonable and appropriate in relation to the Qualification Requirements as we will be able to gain experience in providing value-added telecommunication services in overseas markets. We will maintain close contact with the relevant PRC regulatory authorities and seek specific guidance as to the Qualification Requirements, as well as to understand any new regulatory developments, in order to assess whether we have fulfilled to the Qualification Requirements.

We undertake to provide periodic updates in our annual and interim reports as requested by the [REDACTED] after the [REDACTED] to inform the [REDACTED] of our efforts and actions taken to comply with the Qualification Requirements as well as our progress.

CONTRACTUAL ARRANGEMENTS

CONTRACTUAL ARRANGEMENTS

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



Notes:

- (1) Please see “—Voting Rights Proxy Agreement” in this section for details.
- (2) Please see “—Exclusive Option Agreement” in this section for details.
- (3) Please see “—Equity Pledge Agreement” in this section for details.
- (4) Please see “—Exclusive Business Cooperation Agreement” in this section for details.
- (5) As at the Latest Practicable Date, the Registered Shareholders were Mr. Wu and Ms. Wang, who held 89.95% and 10.05% of Sinohealth Information, respectively.
- (6) Sinohealth Tong and Guangzhou Junyi will apply for deregistration, and upon their respective deregistration, they will cease to be our Group companies. For details, see “History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Deregistration of subsidiaries of Sinohealth Information” in this document.

CONTRACTUAL ARRANGEMENTS

Business Cooperation Agreement

Pursuant to the business cooperation agreement dated 8 June 2021 entered into by WFOE, Sinohealth Information and the Registered Shareholders (the "**Business Cooperation Agreement**"), Sinohealth Information agreed to engage WFOE as its exclusive provider of technical support, consultation and other services, including (1) asset and business management consultation; (2) human resources consultation; (3) marketing consultation and development; (4) business advertising support; (5) technical services and network support; (6) solutions relating to value-added telecommunication and radio and television program production businesses; (7) service quality control support; (8) system integration; (9) material contracts consultation; (10) mergers and acquisitions consultation; and (11) other relevant services requested by Sinohealth Information from time to time to the extent permitted under PRC laws.

Pursuant to the Business Cooperation Agreement, WFOE has the ownership of any and all intellectual property rights developed or created by Sinohealth Information during the performance of the Business Cooperation Agreement. In addition, pursuant to the Business Cooperation Agreement, without the prior written approval from WFOE, Sinohealth Information shall not enter into any transactions (save as those transactions entered into in the ordinary course of business within the amount of RMB100,000), including but not limited to:

- (1) the disposal, transfer, lending or authorization of the use of any assets or rights of Sinohealth Information (including but not limited to intellectual properties);
- (2) the entering into of any contracts or arrangements which may conflict with the Contractual Arrangements or adversely affect the interests of WFOE under the Contractual Arrangements;
- (3) the entering into of any material contracts; and
- (4) the acquisition of any assets or rights from any third parties.

Pursuant to the Business Cooperation Agreement, the service fee and the intellectual properties licensing fee payable by Sinohealth Information to WFOE shall be equivalent to the total combined profit of Sinohealth Information for the year, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, WFOE shall have the right to adjust the level of the service fee and the intellectual properties licensing fee based on the actual service scope and with reference to the operating conditions of Sinohealth Information. Sinohealth Information shall provide its financial report within 30 business days after the end of each fiscal year and WFOE shall provide an invoice for the service fee and intellectual properties licensing fee within 15 business days upon receipt of the financial report from Sinohealth Information, which will then make payment within seven business days upon receipt of such invoice.

The Business Cooperation Agreement has a term of three years commencing from the date of the agreement and shall be automatically renewed for another three years upon the expiration of each term, unless being terminated in accordance with the terms therein. According to the Business Cooperation Agreement, unless otherwise required by applicable PRC laws and

CONTRACTUAL ARRANGEMENTS

regulations, none of the parties to the agreement (except WFOE) is entitled to unilaterally terminate it. WFOE has the right to terminate the Business Cooperation Agreement with one month's prior written notice in the event that (i) Sinohealth Information (including its subsidiaries) breaches any terms under the Business Cooperation Agreement and fails to rectify within 20 business days upon receipt of written notice from WFOE; or (ii) Sinohealth Information (including its subsidiaries) ceases to operate any business, become insolvent, bankrupt or to be subject of liquidation or dissolution procedures, be unable to repay debts due or to be dissolved.

Exclusive Option Agreement

WFOE, Sinohealth Information and the Registered Shareholders entered into the exclusive option agreement (the "**Exclusive Option Agreements**") on 8 June 2021, pursuant to which each of the Registered Shareholders agreed to grant WFOE or its designated third party an exclusive option to transfer their equity interests and/or assets in Sinohealth Information to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at the consideration of RMB1 or a minimum purchase price permitted under PRC laws and regulations. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, they will compensate to WFOE any difference in consideration in such way required by WFOE they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Sinohealth Information that exceeds RMB1.

Pursuant to the Exclusive Option Agreement, the Registered Shareholders and Sinohealth Information have undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from WFOE, including but not limited to the following matters:

- (1) sell, transfer, create encumbrances or otherwise dispose of any assets and/or equity interests;
- (2) alter its business scope;
- (3) increase or decrease its registered share capital or engage in any merger, acquisition or investment in any entities;
- (4) sell, transfer, create encumbrances or otherwise dispose of any rights related to its material assets, business, operation and revenue;
- (5) cease any material contracts or enter into any agreements that may conflict with the current material contracts undertaken by Sinohealth Information;
- (6) enters into any transaction that may materially affect the assets, liabilities, business operation, shareholding structure and any other rights (excluding those transactions taken place in the ordinary course of business or have been disclosed and obtained the written approval from WFOE);
- (7) terminate, wind-up or dissolve Sinohealth Information;
- (8) amend its articles of association;

CONTRACTUAL ARRANGEMENTS

- (9) incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business;
- (10) distribute any dividend to its shareholders; and
- (11) appoint or remove any directors, supervisors or other senior officers.

The Exclusive Option Agreement has an indefinite term commencing on the date of the agreement, until it is terminated:

- (1) by WFOE by giving Sinohealth Information and the Registered Shareholders one-month prior written notice of termination; or
- (2) upon the exercise of the option by WFOE to acquire the entire equity interests held by the Registered Shareholders and/or the assets of Sinohealth Information to WFOE, and the completion of the relevant registration; or
- (3) when the continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations.

Neither Sinohealth Information (including its subsidiaries) nor the Registered Shareholders are contractually entitled to terminate the Exclusive Option Agreement with WFOE.

Equity Pledge Agreement

WFOE, Sinohealth Information and the Registered Shareholders entered into the equity pledge agreement (the "**Equity Pledge Agreements**") on 8 June 2021, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Sinohealth Information to WFOE as a first priority security interest to guarantee the performance of the contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

If Sinohealth Information declares any dividend during the term of the pledge, WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholders or Sinohealth Information (including its subsidiaries) breaches or fails to fulfill the obligations under any of the aforementioned agreements, WFOE, as the pledgee, upon issuing a written notice to the pledgors, will be entitled to all remedies available under PRC laws and the Contractual Arrangements, including but not limited to disposing of the pledged equity interests, entirely or partially.

In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to WFOE, among other things, not to transfer their equity interests in Sinohealth Information (including its subsidiaries) and not to create or allow any pledge thereon without its prior written consent. The pledges in respect of Sinohealth Information (including its subsidiaries) take effect upon the completion of registration with the relevant PRC authority and shall remain valid until after all the contractual obligations of the Registered Shareholders and

CONTRACTUAL ARRANGEMENTS

Sinohealth Information (including its subsidiaries) under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Sinohealth Information (including its subsidiaries) under the relevant Contractual Arrangements have been fully repaid.

The Equity Pledge Agreement has an indefinite term commencing on the date of the agreement and shall remain valid until (1) each of the Registered Shareholders has transferred all of his or her equity interests and/or assets in Sinohealth Information in accordance with the Exclusive Option Agreement and completed the relevant registration; (2) the Equity Pledge Agreement has been unilaterally terminated by WFOE by giving Sinohealth Information and the Registered Shareholders one-month prior written notice.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations was completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations on 9 June 2021.

Voting Rights Proxy Agreement

Sinohealth Information, the Registered Shareholders and WFOE entered into the voting rights proxy agreement (the "**Voting Rights Proxy Agreement**") on 8 June 2021, pursuant to which each Registered Shareholder irrevocably appoints WFOE or its designated directors and their successors (including a liquidator replacing our Directors) but excluding those non-independent Directors or the appointment of whom may give rise to conflict of interests, as his attorney-in-fact to exercise such shareholder's rights in Sinohealth Information, including without limitation to, the rights to:

- (1) convene and participate in shareholders' meeting in the capacity of a proxy of the Registered Shareholders, and adopt and execute all written resolutions, on matters to be discussed and resolved at shareholders' meetings;
- (2) exercise the shareholders' rights pursuant to the relevant PRC laws and regulations and the articles of association of Sinohealth Information, on behalf of the Registered Shareholders, including without limitation to, the voting rights, the sale, transfer or pledge of all or part of the equity interest of Sinohealth Information;
- (3) designate or appoint the legal representatives, directors, chief executive officers, supervisors, general managers and other senior officers of Sinohealth Information pursuant to the relevant PRC laws and regulations and the articles of association in the capacity of a proxy of each Registered Shareholder;
- (4) submit or file any required document to any company registry or other authorities for their purpose of approval, registration, filing, licensing and any other legal proceedings;
- (5) supervise the business performance, approve the annual budget, declare dividends and review the financial information of Sinohealth Information;
- (6) exercise voting rights with regards to the dissolution matters of Sinohealth Information;

CONTRACTUAL ARRANGEMENTS

- (7) raise lawsuits or other legal proceedings against the directors and senior officers of Sinohealth Information when their behaviors harm the interest of Sinohealth Information and its shareholders;
- (8) approve the amendments to the articles of association of Sinohealth Information;
- (9) approve the capital increase, capital reduce, merger and separation of Sinohealth Information; and
- (10) any other rights entitled to the shareholders of Sinohealth Information pursuant to its articles of association or PRC laws and regulations.

The Registered Shareholders undertake that they shall not take or omit to take any action which may lead to a conflict of interest with WFOE or its subsidiaries. If there is any conflict of interest, WFOE 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. The Registered Shareholders will unconditionally follow the instructions of WFOE to take any action to eliminate such conflict of interest.

The Voting Rights Proxy Agreement has an indefinite term commencing on the date of the agreement and will be terminated in the event that:

- (1) the Voting Rights Proxy Agreement is unilaterally terminated by WFOE by giving the Registered Shareholders and Sinohealth Information one month's prior written notice of termination; or
- (2) upon the acquisition of the entire equity interests in and/or the assets of Sinohealth Information to WFOE pursuant to the Contractual Arrangements and the completion of the relevant registration; or
- (3) the continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations.

Spousal undertakings

Each of Mr. Wu and Ms. Wang, being spouse of each other, has executed a written consent to the effect that:

- (1) he/she will sign all documents and take all actions necessary to ensure the proper enforcement of the Contractual Arrangements;
- (2) he/she will not claim any interest in the equity interest held by Mr. Wu/Ms. Wang in the Consolidated Affiliated Entities and except for the necessary procedures which should be performed pursuant to relevant rules of the shareholders' meeting and the board meeting, no consent or authorization from his/her is needed to amend or terminate the Contractual Arrangements; and

CONTRACTUAL ARRANGEMENTS

- (3) he/she undertakes to be bound by the agreements under the Contractual Arrangements (as amended, supplemented or restated from time to time) in the event that he/she for any reason obtains any equity interests of Sinohealth Information as Mr. Wu/Ms. Wang's spouse.

Dispute Resolution

In the event of any dispute with respect to the construction and performance of the provisions, each of the Contractual Arrangements stipulates that:

- (a) the parties shall negotiate in good faith to resolve the dispute;
- (b) in the event the parties fail to settle the dispute within 30 days of delivery of written negotiation request, any party may submit the relevant dispute to the Guangzhou Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Guangzhou City, Guangdong province, the PRC. The arbitration ruling shall be final and binding on all parties;
- (c) the arbitral tribunal may award remedies over the equity interest and property interest and other assets of Sinohealth Information, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the Sinohealth Information; and
- (d) the courts of competent jurisdictions shall have the power to grant interim remedies in support of arbitration pending information of the arbitral tribunal or in appropriate cases in accordance with PRC laws and regulations and arbitration rules in effect. The courts of Hong Kong, the Cayman Islands, BVI, the PRC and the place where the principal assets of our Company and Sinohealth Information are located shall be considered as having jurisdiction for the above purposes.

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

- (a) a tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Sinohealth Information pursuant to current PRC laws; and
- (b) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that Sinohealth Information or the Registered Shareholders breaches 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 Sinohealth Information (including its subsidiaries) and conduct our business could be materially and adversely affected. For further details, see "Risk Factors—Risks Relating to our Contractual Arrangements" in this document.

CONTRACTUAL ARRANGEMENTS

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of mandatory liquidation of Sinohealth Information required by PRC laws, the Registered Shareholders shall transfer the remaining assets of Sinohealth Information after liquidation at the consideration of RMB1 or a minimum price permitted under PRC laws and regulations to WFOE to the extent permitted by PRC laws.

Conflict of Interest

Each of the Registered Shareholders has given his or her irrevocable undertakings in the Voting Rights Proxy Agreement which addresses potential conflicts of interests that may arise in connection with the Contractual Arrangements. See “—Voting Rights Proxy Agreement” in this section for further details.

Loss Sharing

In the event that Sinohealth Information incurs any loss or encounters any operational crisis, WFOE may, but is not obligated to, provide financial support to Sinohealth Information.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly owned PRC subsidiary, namely WFOE, is obligated to share the losses of Sinohealth Information or provide financial support to Sinohealth Information. Further, Sinohealth Information shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or WFOE, is not expressly required to share the losses of Sinohealth Information or provide financial support to Sinohealth Information. Despite the foregoing, given that Sinohealth Information’s financial condition and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial condition and results of operations would be adversely affected if Sinohealth Information suffers losses. However, due to the restrictive provisions contained in the Contractual Arrangements, the potential adverse effect on WFOE and our Company in the event of any loss suffered from Sinohealth Information can be limited to a certain extent.

Insurance

Our Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements. Our Directors are of the view that such insurance policy is not necessary taking into account the current market practice and the absence of suitable insurance policy in the market providing adequate coverage for such circumstances. For the risks relating to the Contractual Arrangements, see “Risk Factors—Risks Relating to Our Contractual Arrangements” in this document for further details.

CONTRACTUAL ARRANGEMENTS

Our Confirmation

As at the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its business through our Consolidated Affiliated Entities under the Contractual Arrangements. Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the [REDACTED], a waiver has been sought from and [has been granted] by the Stock Exchange, the details of which are disclosed in "Connected Transaction."

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisers conducted interviews with Guangdong RTA and the information and communication development department (信息通信發展司) of MIIT in May 2021 and June 2021, respectively. According to the officers, (i) the execution of the Contractual Arrangements is neither subject to the approval of Guangdong RTA nor MIIT; (ii) the execution of the Contractual Arrangements neither falls into the current supervision of Guangdong RTA nor MIIT concerning foreign investment activities. Our PRC Legal Advisers are of the view that Guangdong RTA and MIIT are the competent authorities.

Our PRC Legal Advisers, after taking reasonable actions and steps to reach its legal conclusions including consultations with competent PRC regulatory authorities, is of the views that:

- (i) each of WFOE and Sinohealth Information was duly established and validly existing, and each of the Registered Shareholders is a legal person with full civil and legal capacity;
- (ii) each party to the agreements underlying the Contractual Arrangements has the qualification and power to enter into the agreements. Each of the agreements comprising the Contractual Arrangements is not in violation of provisions of the constitutional documents of WFOE and Sinohealth Information;
- (iii) all internal approval and authorisation with respect to execution and performance of each of the agreements underlying the Contractual Arrangements have been obtained from PRC WFOE and Sinohealth Information and their respective shareholders;
- (iv) each of the agreement underlying the Contractual Arrangements is not in violation of mandatory PRC laws and regulations currently in force, and are legally binding and enforceable on the parties of each of the agreements, except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts, including the courts in Hong Kong and Cayman Islands, to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts; and
- (v) each of the agreement underlying the Contractual Arrangements does not fall within any of the circumstances as stipulated in the PRC Civil Code which will lead the arrangement as invalid act in the PRC Civil Code; and
- (vi) the registration of equity interest pledge under the Equity Interest Pledge Agreements had been completed and legally taken effect.

CONTRACTUAL ARRANGEMENTS

Based on the above analysis and advices from our PRC Legal Advisers, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations, and except for the relevant arbitration clauses as described in "—Contractual Arrangements—Dispute Resolution," each of the agreements under the Contractual Arrangements is enforceable under PRC laws and regulations. Our PRC Legal Advisers are of the view that the Contractual Arrangements are unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, Sinohealth Information will pay services fees to WFOE. The services fees, subject to WFOE's adjustment, are equal to the entirety of the total consolidated profit of Sinohealth Information (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 and regulations to be reserved or withheld). WFOE may adjust the services scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities. WFOE also has the right to periodically receive or inspect the accounts of our Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract all of the economic benefit of Sinohealth Information through the Business Cooperation Agreement.

Under the Business Cooperation Agreement and the Exclusive Option Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our Consolidated Affiliated Entities as WFOE'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 and regulations) to WFOE.

Under the Voting Rights Proxy Agreement, WFOE can unconditionally and irrevocably exercise shareholders' rights (including appointment and removal of directors of Sinohealth Information) and voting rights (directors' rights of Sinohealth Information).

In addition, the Contractual Agreements are irrevocable and renewable at the sole discretion of WFOE.

As a result of the Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through WFOE and, at our Company's sole discretion, can receive 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 Group's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of preparation of our Group's financial information for Track Record Period is disclosed in notes 1 and 2 to the Accountants' Report in Appendix I.

CONTRACTUAL ARRANGEMENTS

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The FIL

On March 15, 2019, the NPC approved the FIL, which came into effect on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the FIL, which came into effect on January 1, 2020. The FIL replaced the foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. For details of the FIL, see “Regulatory Overview—Regulations on Corporation and Foreign Investment” in this document.

Impact and Potential Consequences of the FIL

Conducting operations through contractual arrangements has been adopted by many PRC-based companies including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL stipulates four forms of investment as foreign investment; however, it does not explicitly stipulate the contractual arrangements as a form of foreign investments. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the PRC (《中華人民共和國外國投資法(草案徵求意見稿)》) published in January 2015 by MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC.

Notwithstanding the above, the FIL stipulates that “investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other manners.” Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may regard contractual arrangements as a way of foreign investment, at which time it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the extreme scenario, we may be required to unwind our Contractual Arrangements and/or dispose of our Consolidated Affiliated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that our Company no longer has a sustainable business after the aforementioned unwinding of the Contractual Arrangements or disposal of our Consolidated Affiliated Entities, it may have a material adverse effect on the trading of our Shares.

Therefore, there is no guarantee that our Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future. That being said, given the FIL has not explicitly prohibited or restricted a foreign restricted business to be controlled by contractual arrangements, and if there are no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, our PRC Legal Advisers are of the view that the Contractual Arrangements will continue to be legal, valid and binding on the parties thereunder.

CONTRACTUAL ARRANGEMENTS

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from governmental 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 and compliance with the Contractual Arrangements in our annual reports;
- (iv) our Company will maintain close contact with the relevant PRC regulatory authorities and make periodic enquiries to understand any new regulatory development and assess whether our Group has fulfilled to the Qualification Requirements. We undertake to provide periodic updates in annual and interim reports as requested by the [REDACTED] after the [REDACTED] to inform the [REDACTED] of our efforts and actions taken to comply with the Qualification Requirements as well as the progress of our efforts; and
- (v) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that Mr. Wu and Ms. Wang, our Controlling Shareholders and executive Directors, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently, and our Group is capable of managing its business independently after the [REDACTED] because:

- (a) the decision making mechanism of our Board as set out in our Articles includes provisions to avoid conflicts of interest by providing, among other things, that in the event of a conflict of interest that is material, a Director shall declare the nature of his/her her interest at the earliest meeting of our Board at which it is practicable for him/her to do so, and if he/she is to be regarded as having a material interest in any contract or arrangement, such Director shall abstain from voting and not be counted towards the quorum;

CONTRACTUAL ARRANGEMENTS

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