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## CONTRACTUAL ARRANGEMENTS

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### PRC REGULATORY BACKGROUND

#### Background

Foreign investment activities in the PRC are mainly governed by the Catalog of Encouraged Industries for Foreign Investment (2020 Edition) (the “**Catalog**”) and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (the “**Negative List**”), which have been promulgated and amended from time to time jointly by the MOFCOM and the NDRC. The Catalog and the Negative List divides 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). As advised by our PRC Legal Advisors, a summary of our businesses that is subject to foreign investment restriction or prohibition in accordance with the Negative List and other applicable laws and regulations and certain interviews with governmental authorities (collectively, the “**Relevant Businesses**”) is set out below:

| <u>Categories</u>   | <u>Our business/operation</u>  |
|---|--|
| Value-added telecommunication services business . . . . . | Dingdang Medicine Express Technology and Jiangxi Health Pharmacy primarily engage in providing express digital healthcare service. As advised by our PRC Legal Advisors, such businesses fall within the scope of telecommunications and information services and data processing and transaction processing services provided through public network infrastructure (defined as “ <b>value-added telecommunication services business</b> ”) under the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) promulgated by the State Council on September 25, 2000 and last amended on February 6, 2016 and Classification Catalogue of Telecommunications Services (《電信業務分類目錄》) Promulgated by the MIIT on December 28, 2015 and last amended on June 6, 2019. |

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## CONTRACTUAL ARRANGEMENTS

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Categories

Our business/operation

Each of Dingdang Medicine Express Technology and Jiangxi Health Pharmacy holds a value-added telecommunications business operating license for online data processing and transaction processing services (for e-commerce only) and information services (Internet information services only).

According to the Negative List, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting value-added telecommunications services business (excluding e-commerce, domestic multi-party communication, storage-forwarding and call center services). The respective PRC legal advisors of the Company and of the Joint Sponsors conducted verbal consultation with MIIT on April 22, 2021. The officer of MIIT confirmed that, in practice, our Company currently cannot hold the value-added telecommunications business operating licenses to operate online medicine business as a foreign-invested company. Our PRC Legal Advisors are of the view that (i) MIIT is the competent authority and its officers who attended the consultation were competent persons to provide the foregoing confirmation; and (ii) based on the foregoing consultation with MIIT, to maintain the business operation of Dingdang Medicine Express Technology and Jiangxi Health Pharmacy in compliance with applicable PRC laws and local authorities' requirements, our Company cannot hold equity interests in Dingdang Medicine Express Technology and Jiangxi Health Pharmacy as a foreign-invested company.

Online hospital services  
business . . . . .

Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center primarily engages in the provision of online hospital services. Each of Hainan Internet Hospital and Hainan Telemedicine Center currently holds a medical institution practicing license (the "**Medical Institution Practicing License**") issued by Health Commission of Hainan Province (海南省衛生健康委員會). The license stipulates that the licensed diagnostic and treatment services shall be provided via the Internet. Hainan Dingdang Kuaiyi is a holding company holding equity interest in Hainan Internet Hospital and Hainan Telemedicine Center.

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## CONTRACTUAL ARRANGEMENTS

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**Categories**

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**Our business/operation**

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The Negative List categorizes medical institutions as “restricted” but lacks clear guidance on the categorization of operation of “online hospital services” in terms of foreign investment restriction, as the PRC online healthcare industry is new and evolving. Based on the verbal consultation conducted by the respective PRC legal advisors of the Company and of the Joint Sponsors with Health Commission of Hainan Province, the officer of Health Commission of Hainan Province confirmed that the medical institutions mentioned in the Negative List include Internet hospitals and telemedicine centres. Based on the foregoing, our PRC Legal Advisors is of the view that, the Health Commission of Hainan Province is the competent authority to give the confirmation and the operation of online hospital services would be categorized as “restricted” under the Negative List and is subject to the foreign investment restriction. Pursuant to the Interim Measures for the Administration of Sino-foreign Joint Venture and Cooperative Medical Institutions (《中外合資合作醫療機構管理暫行辦法》) promulgated by the Ministry of Health (the predecessor of the National Health Commission of the PRC) and Ministry of Foreign Trade and Economic Cooperation (the predecessor of the MOFCOM), taking effect on July 1, 2000, the foreign investors are not allowed to hold more than 70% of the equity interests in medical institutions.

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## CONTRACTUAL ARRANGEMENTS

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Categories

Our business/operation

Pursuant to the verbal consultation with the Health Commission of Hainan Province by the respective PRC legal advisors of the Company and of the Joint Sponsors on April 8, 2021, the Health Commission of Hainan Province confirms that it currently does not accept or approve any application for establishing an entity providing online hospital or changing in shareholding services within its jurisdiction. The respective PRC legal advisors of the Company and of the Joint Sponsors also conducted verbal consultation with National Health Commission (國家衛生健康委員會) on June 4, 2021, the officer of National Health Commission confirmed that, the introduction of foreign capital in Hainan Internet Hospital, and Hainan Telemedicine Center shall be approved by the Health Commission of Hainan. Our PRC Legal Advisors are of the view that (i) the National Health Commission and Health Commission of Hainan Province are competent authorities and the officers who attended the consultation were competent persons to provide the foregoing confirmation; and (ii) based on the foregoing verbal consultation with the National Health Commission and Health Commission of Hainan Province, to maintain the business operation of Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center in compliance with applicable PRC laws and local authorities’ requirement, our Company cannot hold equity interests in Hainan Dingdang Kuaiyi, Hainan Internet Hospital and Hainan Telemedicine Center.

For further details of the limitations on foreign ownership in PRC companies conducting value-added telecommunications services and online hospital service under applicable PRC laws and regulations, please refer to “Regulatory Overview — Regulations Relating to Foreign Investment”

### Qualification Requirements

According to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”) promulgated by the State Council, taking effect on January 1, 2002 and last amended with immediate effect on February 6, 2016, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services. In addition, the FITE Regulations stipulates that the main foreign investor who invests in a value-added telecommunications services in the PRC must possess prior experience in operating value-added telecommunications services and a proven track record of business operations overseas (the “**Qualification Requirements**”).

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## CONTRACTUAL ARRANGEMENTS

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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, the applicant's annual reports for the past three years, satisfactory proof of the Qualification Requirements and business development plan. The guidance memorandum does not provide any further guidance 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. As advised by our PRC Legal Advisors, (i) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements; and (ii) foreign investor's fulfillment of the Qualification Requirements remains ultimately subject to substantive examination of the MIIT.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have been gradually building up our track record of overseas telecommunications business operations for the purpose of being qualified, as early as possible, to acquire the entire equity interests in the Consolidated Affiliated Entities when the relevant PRC laws allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in the PRC. We are in the process of expanding our overseas value-added telecommunications business through our offshore subsidiaries. We have taken the following measures to meet the Qualification Requirements:

- we currently operate [www.ddjkt.com](http://www.ddjkt.com). We are in the process of setting up English version of this website and will utilize it to help our potential overseas customers to better understand our service and business, to contribute to the market recognition and to future promotion of the Company's business in overseas markets in the future; and
- we registered a series of trademarks in Hong Kong for our overseas business operation.

In February 2021, the respective PRC legal advisors of the Company and of the Joint Sponsors conducted a verbal consultation with the MIIT, during which, the officer of the MIIT confirmed that measures such as registering domain names and operating websites overseas are reasonable and appropriate steps in relation to the Qualification Requirements. Experiences and performances accumulated during the operation of the website overseas can be considered to have met the Qualification Requirements, subject to the substantive examination of the MIIT.

On April 22, 2021, the respective PRC legal advisors of the Company and of the Joint Sponsors conducted another verbal consultation with the MIIT during which the officer of the MIIT confirmed that in practice, our Company is unable to obtain ICP and EDI licences to conduct online medicine business as a foreign-invested company, even if the foreign investors of our Company meet the Qualification Requirements.

Based on the results of the MIIT interviews, our PRC Legal Advisors are of the view that we currently are practically unable to obtain ICP and EDI licences as a foreign-invested company even if we meet the Qualification Requirements, and the above actions (registering domain names and operating websites overseas, and registering trademarks overseas) taken by us are reasonable and appropriate in relation to the Qualification Requirements.

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## CONTRACTUAL ARRANGEMENTS

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### OUR CONTRACTUAL ARRANGEMENTS

#### Overview

Because foreign investment in certain areas of the industry in which we currently operate is subject to restrictions under current PRC laws and regulations as outlined above, we do not directly own any equity interests in our Consolidated Affiliated Entities. As of the Latest Practicable Date, Dingdang Medicine Express Technology is held by Mr. Yang Wenlong as to 24.44%, Dingdang No. 1 as to 9.44%, Dingdang No. 2 as to 9.44%, Dingdang No. 3 as to 18.89% and Dingdang No. 4 as to 37.78%.

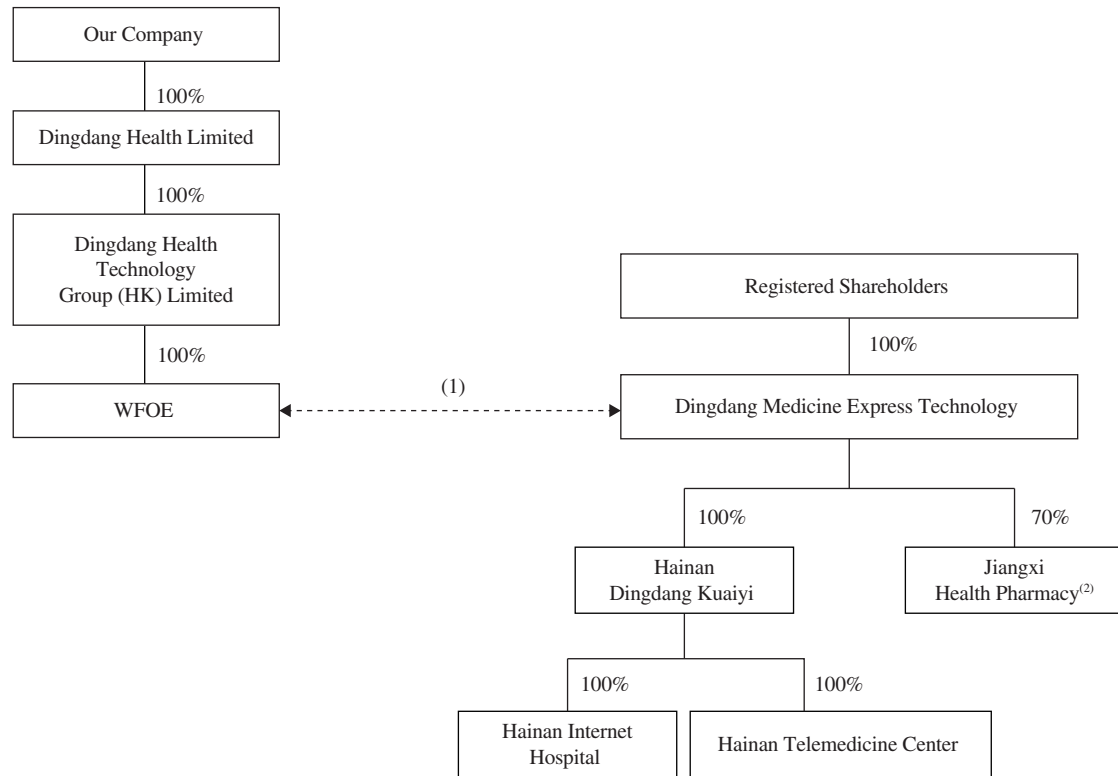
In view of the aforementioned PRC regulatory background and verbal consultations mentioned above, after consultation with our PRC Legal Advisors, we determined that it was not viable for our Company to hold our Consolidated Affiliated Entities through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Consolidated Affiliated Entities through the Contractual Arrangements.

In order to comply with 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. Pursuant to the Reorganization, we acquired equity interests in entities whose businesses are not subject to foreign investment restrictions and entered into Contractual Arrangements between the WFOE, and Dingdang Medicine Express Technology (which holds the remaining Consolidated Affiliated Entities) and the Registered Shareholders. The Contractual Arrangements allowed the results of operations and assets and liabilities of the Consolidated Affiliated Entities to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. Based on the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among the WFOE, our Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement with the WFOE, which is our indirect subsidiary incorporated in the PRC, our Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED], and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

## CONTRACTUAL ARRANGEMENTS

The diagram below illustrates the relationships among the entities under the Contractual Arrangements:



————— denotes legal and beneficial ownership  
 - - - - - denotes Contractual Arrangements

- (1) The WFOE provides business support, technical and consulting services in exchange for service fees from Dingdang Medicine Express Technology. For details, please refer to “Contractual Arrangements — Summary of Material Terms under the Contractual Arrangement.”
- (2) The remaining 30% equity interest of Jiangxi Health Pharmacy is held by Feng Gang (馮綱), who holds several positions within our Group, including the executive director and general manager of Dingdang Smart Pharmacy (Shanghai) Co., Ltd. (叮噹智慧藥房(上海)有限公司).

### Summary of the Material Terms under the Contractual Arrangements

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

#### *Exclusive Business Cooperation Agreement*

Pursuant to the exclusive business cooperation agreement dated May 25, 2021 between Dingdang Medicine Express Technology and the WFOE (the “**Exclusive Business Cooperation Agreement**”), Dingdang Medicine Express Technology agreed to engage the WFOE as its exclusive provider of comprehensive business support, technical services and consultation services, including but not limited to, the following services: technology development, technology promotion, technology transfer, technology services; basic software services; application software services; software development; software consulting; product design; model design; market research; and business management consulting.

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## CONTRACTUAL ARRANGEMENTS

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Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the total consolidated profit. Notwithstanding the foregoing, the WFOE may adjust the service fees at its own discretion without the consent of Dingdang Medicine Express Technology.

In addition, absent the prior written consent of the WFOE, during the term of the Exclusive Business Cooperation Agreement, with respect to the matters set forth in the Exclusive Business Cooperation Agreement, Dingdang Medicine Express Technology shall not accept any consulting and/or services provided by any third party, establish cooperation relationships with any third party, or on its own initiative perform any acts which might affect the confidentiality of the technology and secrets involved in the service provided by the WFOE or the effectiveness and efficiency of the technical supports or allow any third party to do the same. The WFOE may appoint other parties, who may enter into certain agreements with Dingdang Medicine Express Technology, to provide Dingdang Medicine Express Technology with the services under the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreement also provides that the WFOE has the exclusive proprietary rights to and interests in any and all intellectual property rights whether developed or created by Dingdang Medicine Express Technology or the WFOE during the performance of the Exclusive Business Cooperation Agreement.

The validity period of the Exclusive Business Cooperation Agreement shall start from the execution date and it shall remain effective for 20 years unless terminated (a) by agreement between the WFOE and Dingdang Medicine Express Technology; or (b) by a written notice from the WFOE at least 30 days before termination. Dingdang Medicine Express Technology is not entitled to unilaterally terminate the agreement, unless Dingdang Medicine Express Technology has sufficient evidence to prove that the WFOE has material negligence or fraudulent conducts to Dingdang Medicine Express Technology. The term of the agreement may be extended prior to its expiration upon written confirmation by the WFOE. The period of extension shall be determined by the WFOE, and Dingdang Medicine Express Technology shall accept the period of extension without conditions.

### *Exclusive Purchase Option Agreement*

Pursuant to the exclusive purchase option agreement dated May 25, 2021 among Dingdang Medicine Express Technology, the WFOE and each of the Registered Shareholders (the "**Exclusive Purchase Option Agreement**"), the WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders to transfer any or all their equity interests in Dingdang Medicine Express Technology to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time. Dingdang Medicine Express Technology and the Registered Shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Dingdang Medicine Express Technology, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain Dingdang Medicine Express Technology's corporate existence and operation in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits by prudently and effectively operating their business and handling their affairs, and procure Dingdang Medicine Express Technology to perform its obligations under the Exclusive Business Cooperation Agreement;



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## CONTRACTUAL ARRANGEMENTS

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- without the prior written consent of the WFOE, they shall not and shall procure its subsidiaries not, at any time following the date when the Exclusive Purchase Option Agreement came into effect sell, transfer, pledge or dispose of in any manner any assets or the legal or beneficial interest in the business or revenues of Dingdang Medicine Express Technology or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not incur, inherit, guarantee or assume any debt, except for payables incurred in the ordinary course of business not generated from loans and debts which have been disclosed to and approved by WFOE;
- Dingdang Medicine Express Technology shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to execute any material contract with a value of more than RMB100,000, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause Dingdang Medicine Express Technology to provide any person with any loan or credit, or guarantee for any third-party debt;
- they shall provide the WFOE with information on Dingdang Medicine Express Technology's business operations and financial condition at the request of the WFOE;
- if requested by the WFOE, they shall procure and maintain insurance in respect of Dingdang Medicine Express Technology's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit Dingdang Medicine Express Technology to merge, consolidate with, acquire or invest in any person, or procure or permit Dingdang Medicine Express Technology to sell the assets with a value of more than RMB100,000;
- they shall immediately inform the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Dingdang Medicine Express Technology's assets, business or revenue;
- to maintain the ownership by Dingdang Medicine Express Technology of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- without the prior written consent of the WFOE, Dingdang Medicine Express Technology shall not in any manner distribute profits or dividends to their shareholders, provided that upon the request of the WFOE, Dingdang Medicine Express Technology shall immediately distribute all distributable profits to their shareholders;
- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors of Dingdang Medicine Express Technology, replace or remove the directors of Dingdang Medicine Express Technology;

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## CONTRACTUAL ARRANGEMENTS

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- unless otherwise mandatorily required by PRC laws, Dingdang Medicine Express Technology shall not be dissolved or liquidated without the prior written consent by the WFOE;
- in the event of bankruptcy, dissolution, liquidation, death or loss of legal capacity (if applicable) of any of Consolidated Affiliated Entities' shareholders, or other circumstances that may affect Dingdang Medicine Express Technology's equity interests, any successor of an existing shareholder shall be deemed to be a party to the Exclusive Purchase Option Agreement. The Exclusive Purchase Option Agreement and other contractual arrangements shall prevail over any form of agreements relating to the disposition of interests in Dingdang Medicine Express Technology unless prior written consent from the WFOE is obtained;
- if the execution and performance of the Exclusive Purchase Option Agreement and the stock transfer options granted under the Exclusive Purchase Option Agreement shall require any third party's consent, permission, waiver, authorization or any governmental agency's approval, license, immunity, registration or filing in accordance with the law, Dingdang Medicine Express Technology shall make every endeavour to help satisfy the above conditions.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without the written consent of the WFOE, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in Dingdang Medicine Express Technology, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreement;
- for each exercise of the equity purchase option, they shall cause the shareholders' meeting and/or the board of directors of Dingdang Medicine Express Technology to vote on the approval of the transfer of equity interests and any other action requested by the WFOE;
- Registered Shareholders whose equity interest has not been transferred shall relinquish the pre-emptive right (if any) they are entitled to in relation to the transfer of equity interest by any other shareholders to the WFOE and/or any entity or individual appointed by the WFOE pursuant to Exclusive Purchase Option Agreement;
- without the written consent of the WFOE, each of the Registered Shareholders shall not request Dingdang Medicine Express Technology to distribute dividends or profits in any form, propose resolutions in relation to this at a general meeting, or vote to pass such resolutions. In any event, unless decided otherwise by the WFOE, if any Registered Shareholder receives corporate income, profits or dividends from Dingdang Medicine Express Technology, they shall pay or transfer the received income, profits, dividends to the WFOE or any party designated by the WFOE to the extent allowed by the PRC laws; and
- Registered Shareholders shall also strictly comply with the provisions of the Exclusive Purchase Option Agreement between Registered Shareholders, Dingdang Medicine Express Technology and the WFOE, and shall faithfully perform the obligations under such agreements and shall not conduct any act and/or omission which shall affect the validity and enforceability of such agreements. If any Registered Shareholder retains any rights on the equities as in the Equity Pledge Agreement, it shall not exercise such rights unless instructed in writing by the WFOE.

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## CONTRACTUAL ARRANGEMENTS

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The validity period of the Exclusive Purchase Option Agreement shall be 20 years starting from the execution date. The WFOE may choose to renew the Exclusive Purchase Option Agreement. If the WFOE fails to confirm the renewal of the agreement upon the expiration of its term, the agreement shall be automatically renewed until the WFOE delivers a confirmation letter to determine the renewal term of the agreement.

If the Registered Shareholders or Dingdang Medicine Express Technology materially breach any obligation under the Exclusive Purchase Option Agreement, the WFOE shall be entitled to terminate the agreement and/or claim damages from Registered Shareholders or Dingdang Medicine Express Technology. Unless otherwise provided by PRC laws, neither Registered Shareholders nor Dingdang Medicine Express Technology shall have the right to terminate the Exclusive Purchase Option Agreement under any circumstances.

### *Equity Pledge Agreement*

Pursuant to the equity pledge agreement dated May 25, 2021 entered into among Dingdang Medicine Express Technology, the WFOE, and each of the Registered Shareholders (the "**Equity Pledge Agreements**"), the Registered Shareholders agreed to pledge all their respective equity interests in Dingdang Medicine Express Technology that they own, including any interest or dividend paid for the shares, to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in favour of the WFOE takes effect upon the completion of change of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and Dingdang Medicine Express Technology under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured following the Registered Shareholders or Dingdang Medicine Express Technology's receipt of the written notice which requests the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreement, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the Registered shareholders.

The equity pledge registrations under the Equity Pledge Agreements as required by the relevant laws and regulations have been completed in accordance with the Equity Pledge Agreements and PRC laws and regulations.

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## CONTRACTUAL ARRANGEMENTS

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### *Proxy Agreement*

Pursuant to the proxy agreement dated May 25, 2021 issued by the each of the Registered Shareholders (collectively, the "**Proxy Agreement**"), pursuant to which, each of the Registered Shareholders irrevocably and exclusively appointed the WFOE or any entity or persons designated by the WFOE as its attorneys-in-fact to exercise on its behalf, any and all right that it has in respect of its equity interests in Dingdang Medicine Express Technology, including without limitation:

- to propose to convene and to attend shareholders' meetings of Dingdang Medicine Express Technology and to receive any notice of shareholders' meetings and the convening of proceedings;
- to exercise all shareholder's rights and shareholder's voting rights in accordance with law and the constitutional documents of Dingdang Medicine Express Technology, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in Dingdang Medicine Express Technology, the signature of the minutes of meetings of Dingdang Medicine Express Technology in the name and on behalf of the shareholders, the approval of Dingdang Medicine Express Technology to file the documents with the relevant corresponding registration and filing department;
- to designate or appoint the legal representative (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Dingdang Medicine Express Technology;

### *Loan Agreement*

The WFOE entered into a loan agreement with each of the Registered Shareholders dated May 25, 2021 (the "**Loan Agreement**"), pursuant to which the WFOE agreed to provide loan to the Registered Shareholders for the management, operation and business development in Dingdang Medicine Express Technology. All the equity interests in Dingdang Medicine Express Technology held by the Registered Shareholders will be pledged to the WFOE. The term of the Loan Agreement shall be 20 years from the date of the agreement, which may be extended upon mutual consent of the Parties. When the Registered Shareholders transfer the equity interests to the WFOE or the WFOE's designated person(s), in the event that the transfer price of such equity interests equals or is lower than the principal of the loan under the Loan Agreement, the loan under this agreement shall be deemed an interest-free loan. In the event that the transfer price of such Acquired Interests exceeds the principal of the Loan under this Agreement, the excess over the principal shall be deemed the interest of the loan under this agreement payable by the Registered Shareholders to the WFOE.

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## CONTRACTUAL ARRANGEMENTS

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The WFOE and the Registered Shareholders agree and acknowledge that the method of repayment shall be at the sole discretion of the WFOE and may take the form of: (i) transferring the equity Interest of the Registered Shareholders in whole to the WFOE or the WFOE's designated persons (legal or natural persons) pursuant to the WFOE's exercise of its right to acquire the equity interest under the Exclusive Purchase Option Agreement, and (ii) any property legally distributed after liquidation of the Dingdang Medicine Express Technology shall be used by the Registered Shareholders to repay the loan to the WFOE or the WFOE's designated party in the event of liquidation of the Dingdang Medicine Express Technology.

### *LP Undertaking*

Each of the limited partners of the LPs (namely, Dingdang No.1, Dingdang No.2, Dingdang No.3 and Dingdang No. 4), general partners (namely, Dingdang Wisdom) of the LPs and Mr. Yang Wenlong, as the controlling shareholder of Dingdang Wisdom has signed an unconditional and irrevocable undertaking dated May 25, 2021 (the "**LP Undertaking**") to the effect, among others, that each of them undertakes:

- to procure the LPs to continuously comply with the Contractual Arrangements and will not initiate or adopt any claims which will contradict the Contractual Arrangements;
- their interests in Dingdang Medicine Express Technology through the LPs are beneficially owned by the WFOE and he/she/it will not claim on such interests;
- without prior written consent of the WFOE or its designated person, he/she/it will not, and will procure the LPs not to, amend the partnership agreement, partnership composition or dispose any interests in the LPs;
- to transfer his/her/its interests in the LPs to the designated person in accordance with the instruction of the WFOE or its designated person to the extent permissible by applicable laws, and to remit the consideration (if any) to the WFOE or its designated person;
- to procure the LPs not to raise any proposition or take any action against the Contractual Arrangements based on their shares in Dingdang Medicine Express Technology;
- if the WFOE or any individual designated by it requires amendments on relevant items of the LPs in accordance with the Contractual Arrangements, to facilitate and accomplish such requirements as requested; and
- if he/she/it breaches any of the undertakings, to bear liability of such breach in the same way as a breaching party does under the Contractual Arrangements and compensate for losses.

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## CONTRACTUAL ARRANGEMENTS

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### *Spouse Undertaking*

The spouse of each of Mr. Yang Wenlong and the limited partners of LPs has signed an undertaking (the "**Spouse Undertaking**"), to the effect, among others, that each of them unconditionally and irrevocably:

- confirmed and agreed that any equity interests (together with any other interests therein) held by their respective spouse as a Registered Shareholder or as a limited partners of the LPs, as the case may be, are separate properties of their spouse and do not fall within the scope of communal properties; their respective spouse and LPs are entitled to deal with the respective spouse's equity interests and any interests therein in Dingdang Medicine Express Technology in accordance with the Contractual Arrangements without the prior consent of them;
- confirmed that the respective spouse may further amend or terminate the Contractual Arrangements without the need for authorization or consent by him/her;
- will not raise any proposition or take any action against the Contractual Arrangements based on the shares in Dingdang Medicine Express Technology held by their respective spouse;
- if all or part of the shares held by their respective spouse are transferred to him/her, to pledge, sell or dispose such shares in accordance with the provisions and requirements prescribed in the Contractual Arrangements, to observe obligations of their respective spouse or the LPs as a shareholder of Dingdang Medicine Express Technology under the Contractual Arrangements, and to sign all necessary documents and take all necessary actions to ensure the Contractual Arrangements to be properly performed;
- promised that he/she has never and does not intend to participate in the operation, management or voting matters of the Dingdang Medicine Express Technology; and
- waives, unconditionally and irrevocably, any shareholding rights or any other rights related to the equities that may be vested in him/her in accordance with applicable laws.

### *Other aspects of the Contractual Arrangements*

#### *Dispute resolution*

Each of the agreements, excluding the Proxy Agreement, LP Undertaking and Spouse Undertaking, under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission ("**CIETAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provision also provides that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of Dingdang Medicine Express Technology or injunctive relief (e.g., limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding-up of Dingdang Medicine Express Technology; any party may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company), and the places where the principal assets of Dingdang Medicine Express Technology are located for interim remedies or injunctive relief.

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## CONTRACTUAL ARRANGEMENTS

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However, our PRC Legal Advisors have advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding-up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, 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. 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.

As a result, in the event that Dingdang Medicine Express Technology or the Registered Shareholders or the other individuals stated above 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. For details, please refer to "Risk Factors — Risks Relating to our Corporate Structure and Contractual Arrangements"

### *Potential conflict of interest*

To ensure our effective control over the Dingdang Medicine Express Technology, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Pursuant to the Exclusive Purchase Option Agreement, the WFOE has the right to require the Registered Shareholders to transfer any or all their equity interests in Dingdang Medicine Express Technology to the WFOE or its designated third party. Under the Proxy Agreement, each of the Registered Shareholders appointed the WFOE or any entity or persons designated by the WFOE as their attorney-in-fact to exercise its rights in respect of its equity interests in Dingdang Medicine Express Technology. Furthermore, under the Spouse Undertaking, the spouse of each of Mr. Yang Wenlong and the limited partners of the LPs unconditionally and irrevocably (i) acknowledged the execution of the Contractual Arrangements by their spouses; (ii) confirmed that any equity interests of their respective spouse in Dingdang Medicine Express Technology do not fall within the scope of their community properties; (iii) undertook that he or she shall not take any actions against the Contractual Arrangements; and (iv) confirmed that his or her consent and approval are not required for the implementation of the Contractual Arrangements, any amendments thereto or the termination thereof.

Based on the foregoing, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in the Consolidated Affiliated Entities.

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## CONTRACTUAL ARRANGEMENTS

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### *Loss sharing*

Under the relevant PRC laws and regulations, none of our Group and the WFOE is expressly legally required to share the losses of, or provide financial support to, our Consolidated Affiliated Entities. Further, each of our Consolidated Affiliated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. The WFOE intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when necessary. In addition, given that our Group conducts its business operations in the PRC through the Consolidated Affiliated Entities, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our Consolidated Affiliated 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 the WFOE and our Company resulting from any loss suffered by our Consolidated Affiliated Entities.

### *Liquidation*

Pursuant to the Exclusive Purchase Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

### *Insurance*

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

### *Company's confirmation*

As of the Latest Practicable Date, the Company had not encountered any interference by or encumbrance from any PRC governmental authorities in operating its businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

### *Protection Measures*

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, including Mr. Yang Wenlong, as if the successors were signing parties to the Contractual Arrangements. Under the PRC Civil Code, the statutory successors include the spouse, children, parents, siblings, paternal grandparents and the maternal grandparents. In case of a breach, the WFOE can enforce its rights against the successors. Pursuant to the Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the registered shareholders under the Contractual Arrangements as a result of their bankruptcy, dissolve, liquidation or under other circumstance which would affect their exercise of equity interest in Dingdang Medicine Express Technology, as if the inheritor was a signing party to such Contractual Arrangements.

The limited partners of LPs are not parties to the Contractual Arrangements. Even so, they have committed to cooperate with the Contractual Arrangements. Furthermore, they have committed that the WFOE has the right to require them to transfer their equity interests to any other party designated by the WFOE at any time. Therefore, the incapacity, death, bankruptcy, marriage or divorce of each of the limited partners of LPs will not affect the performance of those Contractual Arrangements.



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## CONTRACTUAL ARRANGEMENTS

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The spouse of each of Mr. Yang Wenlong and the limited partners of LPs has executed an irrevocable undertaking, whereby they expressly and irrevocably acknowledge and undertake that (i) any equity interests of Dingdang Medicine Express Technology/partnership shares of LPs held by Mr. Yang Wenlong/the limited partners of LPs do not fall within the scope of their communal properties; (ii) they will not have any claim on these equity interests/partnership shares; (iii) they will not participate in the operation or management of Dingdang Medicine Express Technology/LPs; (iv) in the event of the death of their spouse, they will take all necessary measures to procure the transfer of entire equity interests/partnership shares belong to their spouse at lowest price allowed by PRC laws to the WFOE or any appointees and return any consideration (if any) paid by WFOE or appointees.

Based on the foregoing, our PRC Legal Advisors are of the view that, in the event of loss of capacity, death, bankruptcy, marriage or divorce of each of Mr. Yang Wenlong or the limited partners of LPs, the Contractual Arrangements provide sufficient protection to the Group.

### *Circumstances under which we will adjust or unwind the Contractual Arrangements*

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Business to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the licenses for operating the Relevant Business made by sino-foreign equity joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

## LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisors are of the opinion that the Contractual Arrangements are designed to minimize the potential conflict with relevant PRC laws and regulations and that upon the execution of the Contractual Arrangements:

- (1) all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorisations to execute and perform the Contractual Arrangements;
- (2) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as "false declaration of intention" and void under the Civil Code of the People's Republic of China ("**the PRC Civil Code**");
- (3) none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or the WFOE;
- (4) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that:
  - a. the exercise of the option by our WFOE or its designee of its rights under the Exclusive Business Cooperation Agreement to acquire all or part of the equity interests in Dingdang Medicine Express Technology is subject to the approvals of filing with and/or registrations with the PRC governmental authorities;
  - b. any share pledge contemplated under the Equity Pledge Agreement is subject to the registration with local administration bureau for SAMR; and
  - c. the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement.

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## CONTRACTUAL ARRANGEMENTS

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- (5) each of the Contractual Arrangements is valid, legal and binding under PRC laws, and the adoption of the Contractual Arrangements does not constitute a breach of the relevant laws and regulations except for the following provisions regarding dispute resolution and the liquidating committee:
- a. the Contractual Arrangements provide that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of Dingdang Medicine Express Technology or injunctive relief (e.g., for the conduct of business or to compel the transfer of assets) or order the winding-up of Dingdang Medicine Express Technology; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC (being the place of incorporation of Dingdang Medicine Express Technology) and the places where the principal assets of Dingdang Medicine Express Technology are located also have jurisdiction over the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of Dingdang Medicine Express Technology. However, our PRC Legal Advisors have advised that the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and
  - b. the Contractual Arrangements provide that the Registered Shareholders have appoint the person designated by the WFOE to exercise on their behalf voting rights on the liquidation of Dingdang Medicine Express Technology, which shows that the Registered Shareholders undertake to appoint a committee designated by our WFOE as the liquidation committee upon the winding-up of Dingdang Medicine Express Technology to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

However, we have been advised by our PRC Legal Advisors that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion of our PRC Legal Advisors.

Notwithstanding the foregoing, the respective PRC legal advisors of the Company and of the Joint Sponsors consulted with competent authorities supervising the Company's Relevant Businesses in February and March 2021. During the consultations, the relevant authorities confirmed that the Contractual Arrangements would not be challenged or subject to penalty by the relevant authorities for violation of any PRC laws or regulations. Our PRC Legal Advisors have advised us that such authorities are competent government authorities for the Company's Relevant Businesses and are competent to interpret the relevant PRC laws, regulations and rules for the industry in which our Company operates its business and make the abovementioned oral confirmations.

Based on the above analysis and advice from our PRC Legal Advisors, the 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. For details, see "Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements"

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## CONTRACTUAL ARRANGEMENTS

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### ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

#### Consolidation of financial results of Consolidated Affiliated Entities

Under the Exclusive Business Corporation Agreement, it was agreed that, in consideration of the services provided by the WFOE, Dingdang Medicine Express Technology shall pay service fees to the WFOE. The service fees shall be equal to approximately 100% of the total consolidated profit of the Consolidated Affiliated Entities, after deduction of any accumulated deficit of the Consolidated Affiliated Entities in respect of the preceding financial year(s), operating costs, expenses, taxes and other statutory contributions. The WFOE has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities.

In addition, under the Exclusive Purchase Option Agreement, the WFOE has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as the WFOE’s prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend, they shall promptly transfer or pay, as part of the service fees under the Exclusive Business Corporation Agreement, such income, profit distribution or dividend to the WFOE or any other person designated by the WFOE to the extent permitted under applicable PRC laws.

As a result of the Contractual Arrangements among our WFOE, Dingdang Medicine Express Technology, the Registered Shareholders and the individuals stated above, our WFOE is able to effectively control, recognize and receive substantially all the economic benefits of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in Note 2.1 to the Accountants’ Report set out in Appendix I.

### FOREIGN INVESTMENT LAW

#### Background

On March 15, 2019, the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**2019 FIL**”) was formally passed by the thirteenth NPC and took effect on January 1, 2020. The 2019 FIL stipulates different forms of foreign investment as below:

- foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- foreign investors invest in new projects in China severally or jointly with other investors; and
- foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The 2019 FIL stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the 2019 FIL classified the relevant prohibited and restricted industries into the catalog of prohibitions and the catalog of restrictions, respectively, according to which, the foreign investors are not allowed to invest in the areas in which the foreign investment is prohibited. Foreign investors are allowed to invest in sectors set out in the catalog of restrictions, subject to the satisfaction of certain conditions. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

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## CONTRACTUAL ARRANGEMENTS

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Where a foreign investor invests in the sectors specified in the catalog of prohibitions, the relevant competent departments shall order it to stop the investment activities, and dispose of the shares, properties or other necessary measures within a time limit to restore the state before the investment is implemented and the illegal income shall be confiscated (if any). Where the investment activities of a foreign investor violate the restrictive special management measures stipulated in the sectors specified in the catalog of restrictions, the relevant competent departments shall order it to make corrections and take necessary measures to meet the requirements for access to special management measures; where the offender refuses to make corrections, punishments are implemented according to the aforementioned provisions.

### **Impact and potential consequences of the 2019 FIL on the Contractual Arrangements**

Our PRC Legal Advisors have advised that, since contractual arrangements are not specified as foreign investments under the 2019 FIL, and no relevant laws, administrative regulations or provisions of the State Council have incorporated contractual arrangements as a form of foreign investment, the 2019 FIL does not apply to our Contractual Arrangements, and it does not substantially change the identification of foreign investors in the field of foreign investment and the principle of recognition and treatment of our Contractual Arrangements. Therefore, each of the agreements comprising the Contractual Arrangements will not be materially affected and will continue to be legal, valid and binding on the parties if there are no changes to relevant laws and regulations in this respect.

Notwithstanding the above, the 2019 FIL stipulates that foreign investors investing through any other methods stipulated under laws, administrative regulations or provisions of the State Council may be considered as a form of foreign investment. It is therefore possible that future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way 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 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. See "Risk Factors — Risks Relating to Our Corporate Structure and Contractual Arrangements".

### **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:

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