
CONTRACTUAL ARRANGEMENTS

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Overview

Foreign investment activities in the PRC are mainly governed by the Encouraged Industry Catalog for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalog**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC and the Special Administrative Measures on Access of Foreign Investment (2021 version) (Negative List) (《外商投資准入特別管理措施(負面清單)(2021年版)》), the latest amended version of which was jointly promulgated by the MOFCOM and the NDRC and took effect from January 1, 2022 (the “**Negative List**”). The Catalog and the Negative List stipulate industries in which foreign investment is restricted and prohibited. A summary of our businesses/operations that are subject to foreign investment restriction or prohibition in accordance with the Negative List and other applicable PRC laws is set out below:

Categories	Our business/operations	Our Relevant Entity
“Restricted”	According to the Negative List, foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication business (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call center services).	Shanghai MedSci, Shanghai Chungu, Hangzhou Yilan and Yika Internet Hospital
Value-added telecommunication services	According to the 2016 FITE Regulations and the 2022 Decision, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, except as otherwise specified by the State.	

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Categories	Our business/operations	Our Relevant Entity
	<p>Shanghai MedSci and Shanghai Chungu operate our websites and our mobile applications, where precision omni-channel marketing solutions, physician platform solutions and RWS solutions (the “Solutions Services”) are provided.</p> <ul style="list-style-type: none">• In terms of our precision omni-channel marketing solutions, we charge our clients, primarily pharmaceutical and medical device companies, for marketing-related services such as delivering customized academic medical contents through multiple digital channels on our <i>MedSci</i> platform, creating customized academic medical contents presented on our <i>MedSci</i> platform, and offering online survey services.• In terms of our physician platform solutions, our <i>MedSci</i> platform provides certain premium contents, such as <i>Selected Curriculum</i>, which are accessible to subscribed users who pay annual or monthly subscription fees or per-download fees, as well as clinical study assistance to physicians for fees.• In terms of our RWS solutions, we provide solutions covering the full cycle of RWS including offering digital tools through our <i>MedSci</i> platform, for which our customers, primarily pharmaceutical and medical device companies, pay fees. <p>Each of the Solutions Services involves providing medical information and content for fees, and therefore are subject to restrictions under PRC regulations relating to value-added telecommunication under the PRC Telecommunication Regulations (《中華人民共和國電信條例》).</p> <p>Hangzhou Yilan and Yika Internet Hospital had no substantial operations as of the Latest Practicable Date and plan to provide Solutions Services.</p>	

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Categories	Our business/operations	Our Relevant Entity
	<p>Shanghai MedSci, Shanghai Chungu and Hangzhou Yilan hold the value-added telecommunication business operating license for internet information service (增值電信業務經營許可證) (the “ICP License”) required for carrying out the Solutions Services issued by the competent authority, whereas Yika Internet Hospital is in preparation for applying for an ICP License. As of the Latest Practicable Date, Yika Internet Hospital has no substantial operation and plans to engage in the provision of precision omni-channel marketing solutions, physician platform solutions and/or RWS solutions, which require an ICP License. Yika Internet Hospital will not commence any such business until an ICP Licenses is granted to it. To satisfy the regulatory requirements for ICP License application in respect of, among others, personnel composition and employee social security plan threshold, Yika Internet Hospital has been undertaking intensive preparations, aiming to file such application in the year ending December 31, 2023. Our Directors are of the view that there would be no legal impediment for Yika Internet Hospital to obtain an ICP License. We will undertake to procure Yika Internet Hospital not to conduct any businesses that are not subject to foreign investment restrictions or prohibitions, and to the extent that it does, we will transfer it outside of the Contractual Arrangements prior to engaging in any unrestricted businesses.</p> <p>For the avoidance of doubt, Yika Internet Hospital does not provide or contemplate to provide Internet hospital services which may render it a medical institution or make it fall within scope of businesses or operations subject to foreign investment restriction or prohibition in accordance with the Catalog, the Negative List or other applicable PRC laws other than value-added telecommunications services in the foreseeable future. Our PRC Legal Adviser is of the view that as Yika Internet Hospital does not provide Internet hospital services, it does not constitute a medical institution under the applicable PRC laws and regulations.</p>	

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Categories	Our business/operations	Our Relevant Entity
<p>“Prohibited”</p> <p>Radio and television program production and operation business</p>	<p>According to the Negative List and other applicable PRC Laws, foreign investors are prohibited from holding equity interests in an enterprise engaging in radio and television program production and operation business.</p> <p>Hefei Kang’en holds a radio and television program production and operation license (廣播電視節目製作經營許可證) issued by the competent authority. As our solutions offering during the Track Record Period such as provision of short videos, live-streaming or prerecorded videos to targeted medical professionals does not require such license, and radio and television program is a new channel for our solutions offering which takes more time for strategic crafting and preparation, Hefei Kang’en had no substantial operations during the Track Record Period. In January 2023, Hefei Kang’en commenced production of customized educational video programs with contents easily comprehensible to viewers with no medical backgrounds and intended for the general public according to the specific requirements of our customers, which constitute radio and television programs under the applicable PRC laws and require a radio and television program production and operation license. Such programs are delivered to our customers for their further use, and are not used by us otherwise, thus not available on the <i>MedSci</i> platform. Hefei Kang’en will renew the license upon its expiration. See “Business — Licenses and Permits” for details.</p>	<p>Hefei Kang’en</p>

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Categories	Our business/operations	Our Relevant Entity
	<p>Information dissemination and conveyance is fundamental to our business and operations. For instance, we provide medical knowledge information to physicians on our physical platforms, and create medical content used for marketing or training purposes for pharmaceutical and medical device companies. Therefore, it is critical for us to constantly broaden and diversify the channels of medical information sharing as well as the variety and the carrier of the medical content we create. Radio and television programs would enhance our accessibility to users, and provide us with more flexibility when choosing the media to use for the solutions we offer so as to better serve different purposes, thereby further strengthening our market competitiveness and appeal. In particular, Hefei Kang'en has recruited talents with relevant expertise and carried out internal trainings on, among others, medical education methodology, distance education and clinical research, and commenced its development and production of educational materials on medical areas in the form of radio and television program in January 2023. Therefore, radio and television program production and operation business is of fundamental and strategic significance to our current and future business.</p>	

Note: For the avoidance of doubt, the Consolidated Affiliated Entities does not operate any business where foreign investment is not restricted or prohibited.

As advised by our PRC Legal Adviser, the aforementioned businesses (the “**Relevant Businesses**”) are considered to involve (i) value-added telecommunications services, and (ii) radio and television program production and operation business, which are subject to foreign investment restrictions and foreign investment prohibition, respectively, under the Negative List or pursuant to other rules and regulations. For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, see “Regulatory Overview”.

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Regulatory Requirements

According to the 2016 FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas. Such qualification requirements have been repealed according to the 2022 Decision.

Our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted consultations with the SCA on April 15, 2022 (the “**2022 SCA Consultation**”) and February 10, 2023 (the “**2023 SCA Consultation**”, together with the 2022 SCA Consultation, the “**SCA Consultations**”) respectively, during which it was confirmed that: (i) there are no clear guidelines, explanations or criteria for the implementation of the 2022 Decision; (ii) it is uncertain when the aforesaid guidelines, interpretations or criteria will be promulgated; (iii) based on the current regulatory requirements and regulatory practice, our offshore entities or onshore entities are not allowed to hold any equity interest in our Consolidated Affiliated Entities engaged in value-added telecommunication services; and (iv) the execution of the Contractual Arrangements does not require approval from the SCA.

According to Article 12 of the 2016 FITE Regulations in effect at the time of the 2022 SCA Consultation, in order to establish a foreign-invested telecommunications enterprise engaging in value-added telecommunications business, the major Chinese investor shall submit an application to the provincial telecommunications administrative department (“**Provincial TAD**”) for preliminary examination. Such application, if approved by the Provincial TAD, shall be forwarded to the MIIT, which shall then determine on such application. According to the Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) in effect at the time of each of the SCA Consultations, the Provincial TAD shall supervise and administrate the telecommunications industry within their regional jurisdiction under the leadership of the MIIT. The SCA, being the Provincial TAD in Shanghai at the relevant time of each of the SCA Consultations, is responsible for implementing the policies and regulations of the communication industry as well as supervising and managing telecommunications and information service market in Shanghai. Thus, our PRC Legal Adviser is of the view that the SCA is a competent authority to provide such confirmation at the relevant time of the SCA Consultations.

As advised by the PRC Legal Adviser, the MIIT is the ultimate governing authority for foreign-invested enterprises’ telecommunications license in China and in theory has the discretion to re-evaluate the SCA’s decisions, however it is uncommon for the MIIT to challenge the opinions of the SCA in practice. Therefore, we, as advised by the PRC Legal Adviser, believe that the risk of the SCA’s confirmations in the SCA Consultations being challenged by higher authority(ies) such as the MIIT is remote.

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As of the Latest Practicable Date, based on the consultations with the SCA and as advised by our PRC Legal Adviser, (i) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation about the 2022 Decision; and (ii) it remains uncertain as to the interpretation and enforcement of the 2022 Decision in practice and relevant regulations by government authorities. Our PRC Legal Adviser is of the view that given the lack of clear guidance or interpretation about the 2022 Decision as of the Latest Practicable Date and the consultation with the SCA, (i) it is not viable for us to hold our Consolidated Affiliated Entities engaged in the Solutions Services directly through equity ownership; and (ii) the 2022 Decision does not have any adverse impact on the conclusion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

Notwithstanding the above, we will make periodic inquiries with the relevant authorities to stay abreast of the regulatory developments, including but not limited to any guidance or interpretation of the 2022 Decision and any regulatory changes regarding the shareholding restrictions of foreign investors in respect of our Consolidated Affiliated Entities, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the PRC laws, and to holding the maximum percentage of ownership interests in our Consolidated Affiliated Entities permissible under the PRC laws if the competent government authorities allow us to do so.

Our PRC Legal Adviser have opined that, other than the exception as discussed in paragraph (b) under “— Legality of the Contractual Arrangements” below, the Contractual Arrangements as a whole and each of the agreements thereunder are legal, valid and binding on the parties thereto, notwithstanding that the 2022 Decision has repealed the Qualification Requirements which applied to foreign investment in value-added telecommunications services business. According to our PRC Legal Adviser, under PRC laws and regulations, the adoption of the Contractual Arrangements to operate the Solutions Services do not render our business as an illegal operation in the PRC.

On April 18, 2022, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors made a consultation with the ARTA, which have provided oral confirmations that our offshore entities or onshore entities, as foreign investors or foreign-invested enterprises, are prohibited from holding equity interests in Hefei Kang'en, and that the execution of the Contractual Arrangements does not require examination from the ARTA. According to Article 8 of the Administrative Provisions on the Production and Operation of Radio and Television Programs (《廣播電視節目製作經營管理規定》), application for a radio and television program production and operation license by an institution like Hefei Kang'en shall be subject to the examination and approval by the provincial radio, film and television administrative department. The ARTA is the provincial radio, film and television administrative department of Anhui Province, where Hefei Kang'en is located. Thus, our PRC Legal Adviser is of the view that the ARTA is a competent authority to provide such confirmation.

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Narrowly Tailored Contractual Arrangements

In light of the above, we believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and to enable the Group to consolidate the financial results of our Consolidated Affiliated Entity which are engaged in the Relevant Businesses.

The revenue contribution of all of the Consolidated Affiliated Entities to our Group amounted to approximately 99.49%, 99.79% and 100% of the total revenue of our Group for the three years ended December 31, 2022, respectively.

Joint Sponsors’ View

After considering that: (i) the Contractual Arrangements enable our Group to conduct business in industries that are subject to foreign investment restrictions or prohibitions in the PRC and enable our Group to consolidate the financial results of our Consolidated Affiliated Entities which are engaged in the Relevant Businesses; (ii) the interview results with the SCA and the ARTA dated April 15, 2022 and February 10, 2023 as disclosed above; (iii) the views from the PRC Legal Adviser relating to regulatory requirements and the competency of SCA and ARTA on their views and that the likelihood that any higher authority(ies) such as MIIT would challenge the views of the SCA is remote; (iv) the consolidation of financial results of operating entities provided by the Reporting Accountant as disclosed in this “Contractual Arrangements” section; and (v) the reasons for control of Shanghai MedSci, its subsidiaries and Hefei Kang’en through the Contractual Arrangements, the Joint Sponsors concurred with our Company that the Contractual Arrangements are narrowly tailored for the purpose of foreign ownership restrictions requirement.

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Because foreign investment in the Relevant Businesses is subject to foreign investment restrictions or prohibitions under current PRC laws and regulations as outlined above, we are restricted from holding direct interests in Shanghai MedSci, Shanghai Chungu, Hangzhou Yilan, Yika Internet Hospital and Hefei Kang’en, namely our Consolidated Affiliated Entities.

We do not directly own any equity interests in the Consolidated Affiliated Entities. Shanghai MedSci is held by Dr. Li, Dr. Zhang, Qiming Ronghe, Shanghai Meiyue, Meilong Investment, Mr. Yang, Suzhou Qisi, Shanghai Weita, Yachang Hongkai, Jingwo Investment, Kechuang Borui and Hongpan One as to approximately 36.11%, 28.17%, 10.72%, 8.33%, 4.82%, 2.75%, 2.41%, 2.41%, 1.11%, 1.11%, 1.11% and 0.96%, respectively. Shanghai Chungu, Hangzhou Yilan and Yika Internet Hospital are wholly owned by Shanghai MedSci. Hefei Kang’en is held by Dr. Zhang as to 99% and Mr. Yang as to 1%.

In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser and the relevant authority, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entities directly through equity

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ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions or prohibitions, we would be able to gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities, and have an exclusive option to purchase all or part of the equity interests in or all or part of the assets of or inject registered capital into the Consolidated Affiliated Entities when and to the extent permitted by the PRC law, through (i) the Shanghai MedSci Contractual Arrangements between the WFOE, on one hand, and Shanghai MedSci (which directly and indirectly holds all of the equity interests in Shanghai Chungu, Hangzhou Yilan and Yika Internet Hospital) and the Shanghai MedSci Registered Shareholders, on the other, and (ii) the Hefei Kang'en Contractual Arrangements between the WFOE, on one hand, and Hefei Kang'en and the Hefei Kang'en Registered Shareholders, on the other. The Contractual Arrangements allow 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.

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 conducted a series of reorganization steps as illustrated below.

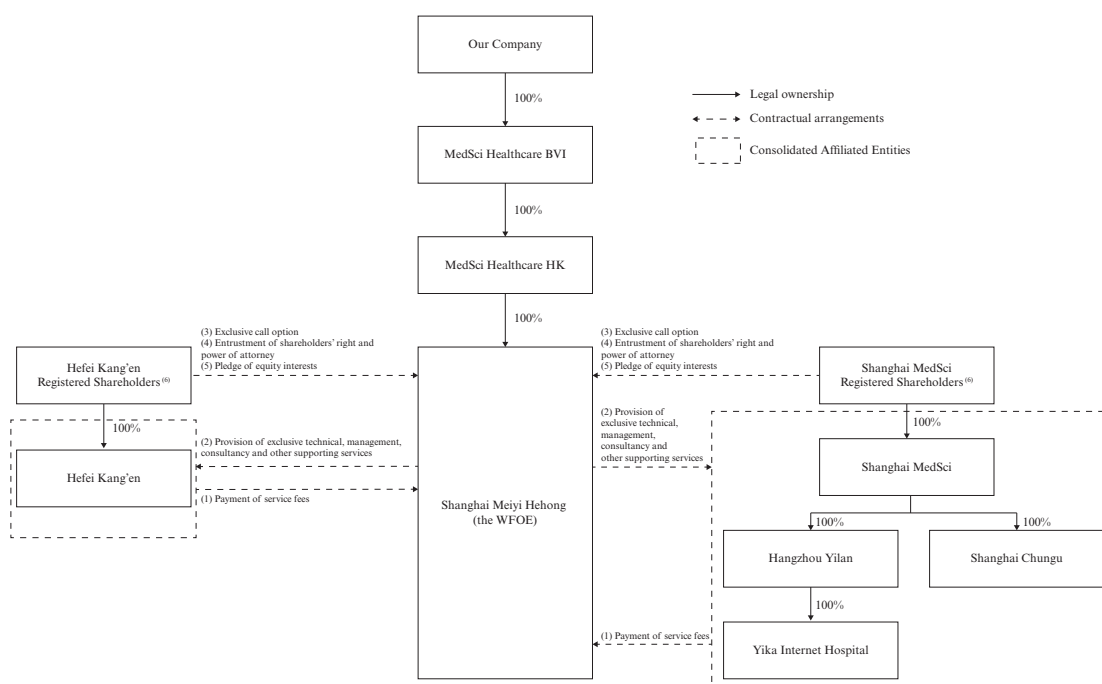
In connection with the [REDACTED] and in order to streamline our structure as well as to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored in accordance with the Stock Exchange's requirements: (i) Hangzhou Yika, which had no substantial operations, transferred 100% of the equity interests in Yika Internet Hospital to Hangzhou Yilan on September 26, 2021 and was subsequently deregistered on December 15, 2021; (ii) Shanghai MedSci transferred 100% of the equity interests in Anhui Yixunda on November 17, 2021, which had no substantial operations, to Mr. Wu Zhicheng (吳志成), being an Independent Third Party; (iii) Beijing Jianyiyun, which had no substantial operations, was deregistered on February 8, 2022; (iv) Shanghai Yicheng, which had no substantial operations, was deregistered in July 2022; and (v) we entered into the Contractual Arrangements on November 5, 2021, as further amended by supplemental agreements dated April 17, 2022. The WFOE has effective control over the financial and operational policies of the Consolidated Affiliated Entities and have become entitled to all the economic benefits derived from their operations. See “History, Reorganization and Corporate Structure — Reorganization” for further details. 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 and in the interests of the Shareholders as a whole because: (i) the Contractual Arrangements were freely negotiated and entered into between the WFOE, the Consolidated Affiliated Entities and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreements (as defined below) and the Exclusive Technical Service and Management Consultancy Agreements (as defined below) with the WFOE, which is our subsidiary established in PRC, the Consolidated Affiliated Entities will enjoy better

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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.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities and/or the Registered Shareholders to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) Payment of service fees. See “— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreements” below for details.
- (2) Provision of exclusive technical, management, consultancy and other supporting services. See “— Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreements” below for details.
- (3) Exclusive call option to acquire all or part of the Registered Shareholders’ interests (including equity interests and/or assets) in the Consolidated Affiliated Entities. See “— Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreements” below for details.
- (4) Entrustment of shareholders’ right of the Registered Shareholders including shareholders’ power of attorney. See “— Summary of the Material Terms of the Contractual Arrangements — (5) Shareholders’ Rights Entrustment Agreements” and “— Summary of the Material Terms of the Contractual Arrangements — (6) Shareholders’ Powers of Attorney” below for details.
- (5) Pledge of equity interest by the Registered Shareholders of their equity interests in Onshore Holdcos. See “— Summary of the Material Terms of the Contractual Arrangements — (4) Equity Pledge Agreements” below for details.

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The Registered Shareholders are all PRC residents, PRC domestic companies or PRC limited partnership enterprises. The Shanghai MedSci Registered Shareholders became the registered shareholders of Shanghai MedSci through the investments in Shanghai MedSci prior to the Reorganization of our Group. During the Reorganization, the offshore affiliates of the Shanghai MedSci Registered Shareholders became the Shareholders of our Company and the Shanghai MedSci Registered Shareholders remain to be registered shareholders of Shanghai MedSci to minimize the impact on the corporate structure of our Group. The Hefei Kang'en Registered Shareholders are Dr. Zhang and Mr. Yang. The Registered Shareholders, whether individual or corporate, assume the same obligations under the Contractual Arrangements and the WFOE is able to gain control over the interests held by the corporate Registered Shareholders to the same extent as those held by the individual Registered Shareholders.

Circumstance in Which We Will Unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements wholly or partially once our businesses are no longer restricted or prohibited from foreign investment under the PRC laws, and will hold the maximum percentage of ownership interests in our Consolidated Affiliated Entities permissible under the PRC laws if the competent government authorities allow us to do so. In such event, the WFOE will exercise the Equity Call Option (defined below) under the Exclusive Call Option Agreements (defined below) to acquire the equity interests and/or assets of our Consolidated Affiliated Entities subject to any application or approval procedures and the approval by the relevant governmental authorities.

Summary of the Material Terms of the Contractual Arrangements

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

(1) Exclusive Business Cooperation Agreements

Pursuant to the exclusive business cooperation agreement (the “**Shanghai MedSci Exclusive Business Cooperation Agreement**”) entered into among Shanghai MedSci, Hangzhou Yilan, Shanghai Chungu, Yika Internet Hospital, the Shanghai MedSci Registered Shareholders and the WFOE on November 5, 2021, which was further amended by a supplemental agreement (the “**Shanghai MedSci Supplemental Agreement**”) among the parties dated April 17, 2022, the WFOE shall provide exclusive technical, management, consultancy and other supporting services, and in return, our PRC Affiliated Entities shall make payments accordingly.

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To ensure the due performance of the Contractual Arrangements, each of our PRC Affiliated Entities agreed to comply, and procure any of its subsidiaries (to be established if any) to comply with, and the Shanghai MedSci Registered Shareholders agreed to procure our PRC Affiliated Entities or their subsidiaries (to be established if any) to comply with the obligations as prescribed under the Shanghai MedSci Exclusive Business Cooperation Agreement set forth as follows:

- (a) to carry out the operations of internet platforms and medical information business in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Affiliated Entities or their subsidiaries and the quality and standard of private education;
- (b) to prepare development plans and annual working plans in accordance with the instructions of the WFOE;
- (c) to carry out the operations of internet platforms, medical information business and other relevant business under the assistance of the WFOE;
- (d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of the WFOE;
- (e) to execute and act upon the recommendations of the WFOE in terms of employment and removal of senior management and staff;
- (f) to adopt the advice, guidance and plans given by the WFOE in relation to their respective strategic development;
- (g) to carry out its business operations and renew and maintain its respective necessary licenses;
- (h) to provide its business operation and financial information upon request by the WFOE and promptly inform the WFOE of the circumstances which have or may have material adverse effect on our business operation, as well as make every effort to prevent such circumstances and/or the expansion of losses; and
- (i) to purchase from insurers recognized by the WFOE and maintain relevant insurance for the assets and business of our PRC Affiliated Entities, of which the insurance amount and type shall be consistent with those normally purchased by companies operating in similar businesses or owning similar property or assets in the region.

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In addition, pursuant to the Shanghai MedSci Exclusive Business Cooperation Agreement:

- (a) each of Shanghai MedSci Registered Shareholders who are individuals undertakes to the WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interests in Shanghai MedSci, he/she shall have made all necessary arrangements and sign all necessary documents such that his/her successor, guardian, spouse and any other person which may as a result of the above events obtain the equity interests or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;
- (b) each of Shanghai MedSci Registered Shareholders which are institutions undertakes to the WFOE that, in the event of dissolution, liquidation, revocation or other circumstances which may affect the exercise of its direct or indirect equity interests in Shanghai MedSci, it shall have made all necessary arrangement and sign all necessary documents such that its successor, administrator and liquidator and any other person which may as a result of the above events obtain the equity interests or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;
- (c) in the event of the dissolution, liquidation, bankruptcy or reorganization of the WFOE: (i) Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities unconditionally agree that, other persons designated by our Company shall inherit the rights and obligations of the WFOE under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated persons; (ii) Shanghai MedSci Registered Shareholders agree that, Shanghai MedSci Registered Shareholders shall sell or dispose of their direct or indirect interests in and/or assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company; or (iii) Shanghai MedSci Registered Shareholders agree that, Shanghai MedSci Registered Shareholders shall procure to sell or dispose of part or all of the interests in and/or assets of our PRC Affiliated Entities in accordance with the instructions of our Company and procure the transfer of all receivable at nil consideration to our Company or other persons designated by our Company;
- (d) Shanghai MedSci Registered Shareholders undertake that, in the event of the dissolution or liquidation of our PRC Affiliated Entities: (i) the WFOE and/or its designated person shall have the right to exercise all shareholders’ rights on our PRC Affiliated Entities (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the shareholders of our PRC Affiliated Entities shall transfer all assets received or receivable in its capacity as shareholders of each of our PRC Affiliated Entities as a result of the dissolution or liquidation of

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our PRC Affiliated Entities to the WFOE or other persons designated by our Company at nil consideration, and instruct the liquidation group of our PRC Affiliated Entities to transfer such assets directly to the WFOE or other persons designated by our Company; and (iii) if consideration is required for such transfer under the then applicable PRC laws, Shanghai MedSci Registered Shareholders shall compensate the WFOE or the person as designated by our Company the amount and ensure that the WFOE or other persons as designated by our Company does not suffer any loss;

- (e) our PRC Affiliated Entities agreed that, without the prior written consent of the WFOE, our PRC Affiliated Entities shall not declare or pay to Shanghai MedSci Registered Shareholders any return or other interest or benefit; in the event that the Registered Shareholders receive any reasonable return or other interest or benefit, Shanghai MedSci Registered Shareholders shall unconditionally and without compensation transfer such amount to the WFOE; and
- (f) without the consent of the WFOE, Shanghai MedSci Registered Shareholders shall not increase the registered capital of Shanghai MedSci, while Shanghai MedSci Registered Shareholders agreed and confirmed that, they will pledge the corresponding increased equity interests to the WFOE to perform their respective obligations and guarantees in respect of any debt under these Contractual Arrangements; each of the parties has undertaken that, each party shall prepare all necessary documents before the aforesaid capital increase and sign the equity pledge agreements on the date of completion of the capital increase registration, and to complete the pledge registration as soon as practicable.

In order to prevent the leakage of assets and values of our PRC Affiliated Entities, Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities have undertaken that, without the prior written consent of the WFOE or its designated party, Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of Shanghai MedSci Registered Shareholders and each of our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. Such activities and transactions include, without limitation:

- (a) establishment of any subsidiaries or branches by our PRC Affiliated Entities, such as subsidiaries or branches;
- (b) conduct of any activity by any of our PRC Affiliated Entities and/or their subsidiaries which are outside the ordinary course of business or change the mode of operations of our PRC Affiliated Entities or their subsidiaries;
- (c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Affiliated Entities and/or their subsidiaries;

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- (d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our PRC Affiliated Entities and/or their subsidiaries;
- (e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Affiliated Entities or their subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB5,000,000;
- (f) change or removal of any director, supervisor or senior management (including but not limited to manager, deputy manager, chief financial officer and chief technical officer) of any of our PRC Affiliated Entities or their subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;
- (g) sale, transfer, lending or authorizing the use or disposal of any assets or rights (including but not limited to domain, trademark, intellectual property and exclusive technology) of any of our PRC Affiliated Entities or their subsidiaries to any third party other than the WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB3,000,000;
- (h) sale of any equity interests in any of our PRC Affiliated Entities or its subsidiaries to any third party other than the WFOE or its designated party, or increase or reduction of the registered capital or change of the structure of the equity of any of our PRC Affiliated Entities or its subsidiaries;
- (i) providing security over equity interests in or assets or rights of, or creating encumbrance over interests in or assets of any of our PRC Affiliated Entities or its subsidiaries, or providing guarantee by any of our PRC Affiliated Entities or its subsidiaries, to third parties other than to the WFOE or its designated party;
- (j) altering, amending or revoking any permits of any of our PRC Affiliated Entities or its subsidiaries;
- (k) amending the articles of association or scope of business of any of our PRC Affiliated Entities or its subsidiaries;
- (l) change of any normal business procedures or amendment of any internal procedures and system of any of our PRC Affiliated Entities or its subsidiaries;
- (m) entering into any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of the WFOE or us;
- (n) distribution of dividend, other payments or make loans to the shareholder of our PRC Affiliated Entities or any of its subsidiaries;

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- (o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our PRC Affiliated Entities or its subsidiaries or its ability to make any payment to the WFOE;
- (p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Contractual Arrangements; and
- (q) transfer of his/her/its rights and obligations under the Contractual Arrangements to any third party other than the WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Contractual Arrangements with any third party by the Shanghai MedSci Registered Shareholders, any of our PRC Affiliated Entities or its subsidiaries.

Furthermore, each of Shanghai MedSci Registered Shareholders undertook to the WFOE that, unless with the prior written consent of the WFOE, Shanghai MedSci Registered Shareholders (severally or jointly) shall not: (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Affiliated Entities and their subsidiaries (“**Competing Business**”); (ii) use information obtained from any of our PRC Affiliated Entities or its subsidiaries for the Competing Business; and (iii) obtain any benefit from any Competing Business. Each of the Shanghai MedSci Registered Shareholders further consents and agrees that, in the event that the Shanghai MedSci Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, the WFOE and/or other entities as designated by our Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements, or to require cessation of engagement in the Competing Business. The Shanghai MedSci Registered Shareholders shall procure the entry of the aforesaid arrangement or the cessation of engagement in the Competing Business according to the option exercised.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Exclusive Business Cooperation Agreement shall remain effective perpetually from November 5, 2021. See “— Termination of the Contractual Arrangements” below for details.

Hefei Kang’en also entered into an exclusive business cooperation agreement (the “**Hefei Kang’en Exclusive Business Cooperation Agreement**”, and together with Shanghai MedSci Exclusive Business Cooperation Agreement, the “**Exclusive Business Cooperation Agreements**”) with Hefei Kang’en Registered Shareholders and the WFOE on November 5, 2021, as further amended by a supplemental agreement (the “**Hefei Kang’en Supplemental Agreement**”) among the parties dated April 17, 2022. As both of the Hefei Kang’en Registered Shareholders are individuals, Hefei Kang’en Exclusive Business Cooperation Agreement (as amended) omitted the clauses only applicable to institutional shareholders as comprised in Shanghai MedSci Exclusive Business Cooperation Agreement (as amended).

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The terms of Hefei Kang'en Exclusive Business Cooperation Agreement (as amended) have no material differences from and substantially mirror the terms of Shanghai MedSci Exclusive Business Cooperation Agreement (as amended) set out above.

(2) Exclusive Technical Service and Management Consultancy Agreements

Pursuant to the exclusive technical service and management consultancy agreement (the “**Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement**”) entered into among the WFOE and our PRC Affiliated Entities on November 5, 2021, the WFOE agreed to provide exclusive technical services to our PRC Affiliated Entities, including but not limited to: (a) design, development, update and maintenance of platform software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the platform and medical information business activities of our PRC Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the platform and medical information business activities of our PRC Affiliated Entities; (d) provision of other technical support necessary for the platform and medical information business activities of our PRC Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Affiliated Entities.

Furthermore, the WFOE agreed to provide exclusive management and consultancy services to our PRC Affiliated Entities, including but not limited to: (a) design of platform; (b) selection and/or recommendation of medical information; (c) provision of staff recruitment and training support and services; (d) provision of technical support and services; (e) provision of public relation maintenance services; (f) preparation of long-term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of administrative staff management and consultancy training; (j) conduct of market research; (k) preparation of regional market development plan; (l) building of online and offline marketing network; and (m) providing other management technical services reasonably requested by our PRC Affiliated Entities.

In consideration of the technical, management and consultancy services provided by the WFOE, our PRC Affiliated Entities agreed to pay the WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the statutory provident fund and other withdrawals required by the law). The WFOE has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of our PRC Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. Our PRC Affiliated Entities do not have any right to make any such adjustment.

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Pursuant to the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, the WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by the WFOE to our PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between the WFOE and other parties.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement shall remain effective perpetually from November 5, 2021. See “— Termination of the Contractual Arrangements” below for details.

Hefei Kang'en also entered into an exclusive technical service and management consultancy agreement (the “**Hefei Kang'en Exclusive Technical Service and Management Consultancy Agreement**”, and together with Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement, the “**Exclusive Technical Service and Management Consultancy Agreements**”) with the WFOE on November 5, 2021. The terms of Hefei Kang'en Exclusive Technical Service and Management Consultancy Agreement have no material differences from and substantially mirror the terms of Shanghai MedSci Exclusive Technical Service and Management Consultancy Agreement set out above.

(3) Exclusive Call Option Agreements

Under the exclusive call option agreement (the “**Shanghai MedSci Exclusive Call Option Agreement**”) entered into among Shanghai MedSci, Shanghai MedSci Registered Shareholders and the WFOE on November 5, 2021, which was further amended by the Shanghai MedSci Supplemental Agreement, Shanghai MedSci Registered Shareholders have irrevocably granted the WFOE or its designated purchaser the right to purchase all or part of the direct or indirect interests^(Note) of Shanghai MedSci Registered Shareholders in our PRC Affiliated Entities (the “**Equity Call Option**”). The purchase price payable by the WFOE in respect of the transfer of such interests upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. The WFOE or its designated purchaser shall have the right to purchase such proportion of interests in our PRC Affiliated Entities as it decides at any time.

In the event that PRC laws and regulations allow the WFOE or other foreign-owned entities designated by our Company to directly hold all or part of the interests in our PRC Affiliated Entities and operate the relevant restricted/prohibited business in the PRC, the WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of interests in our PRC Affiliated Entities purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by the WFOE or other foreign-owned entities designated by our Company under PRC laws and regulations.

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Note:

Under the Exclusive Call Option Agreements, the references to “interests” include equity interests and/or assets.

Each of the Shanghai MedSci Registered Shareholders have further undertaken to the WFOE that it:

- (a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its direct and/or indirect interests in our PRC Affiliated Entities without the prior written consent of the WFOE;
- (b) shall not increase or reduce or agree to the increase or reduction of the registered capital of our PRC Affiliated Entities without the prior written consent of the WFOE;
- (c) shall not agree to or procure any of our PRC Affiliated Entities to divide into or merge with other entities without the prior written consent of the WFOE;
- (d) shall not dispose of or procure the management of our PRC Affiliated Entities to dispose of any of the assets of our PRC Affiliated Entities without the prior written consent of the WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB3,000,000;
- (e) shall not terminate or procure the management of our PRC Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB3,000,000, the Contractual Arrangements and/or any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of the WFOE;
- (f) shall not procure any of our PRC Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Affiliated Entities without the prior written consent of the WFOE, save for transactions which are in the ordinary course of business of our PRC Affiliated Entities with the amount involved not more than RMB3,000,000, or transactions which have been disclosed to the WFOE and approved by the WFOE;
- (g) shall not agree to or procure any of our PRC Affiliated Entities to declare or in substance distribute any distributable return or agree to such distribution without the prior written consent of the WFOE; Shanghai MedSci shall timely transfer the amount so received (if any) to the WFOE or its designated purchaser for free subject to the PRC law;
- (h) shall not agree to or procure any of our PRC Affiliated Entities to amend its articles of association without the prior written consent of the WFOE;

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- (i) shall ensure that any of our PRC Affiliated Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Affiliated Entities exceeds RMB5,000,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of our PRC Affiliated Entities, or any obligations which may result in change of the equity structure of our PRC Affiliated Entities) outside its ordinary course of business without the prior written consent of the WFOE;
- (j) shall use its best endeavors to develop the business of any of our PRC Affiliated Entities and ensure compliance with laws and regulations by our PRC Affiliated Entities, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of our PRC Affiliated Entities;
- (k) shall, prior to the transfer of its interests to the WFOE or its designated purchaser and without prejudice to the Shanghai MedSci Shareholders’ Rights Entrustment Agreement, execute all documents necessary for holding and maintaining the ownership of its interests in our PRC Affiliated Entities;
- (l) shall sign all documents and take all necessary actions to facilitate transfer of its interests in our PRC Affiliated Entities to the WFOE or its designated purchaser;
- (m) shall take all such actions to facilitate our PRC Affiliated Entities in their performance of its obligations under the Shanghai MedSci Exclusive Call Option Agreement if such performance requires any action be taken by Shanghai MedSci Registered Shareholders as the interest owner of our PRC Affiliated Entities;
- (n) shall, in its capacity as a director and/or indirect shareholder of our PRC Affiliated Entities and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of our PRC Affiliated Entities to perform its rights and obligations under the Shanghai MedSci Exclusive Call Option Agreement, and shall replace any director who fails to do so;
- (o) shall procure that all rights and obligations under the Shanghai MedSci Exclusive Call Option Agreement be fully inherited by the then PRC Affiliated Entities and their then shareholders, if the shareholding structure of the PRC Affiliated Entities changes before the WFOE exercises the exclusive call option due to sale, assignment, transfer in any form by their shareholders;
- (p) shall waive any right of first refusal it has under the Shanghai MedSci Exclusive Call Option Agreement, the Shanghai MedSci Equity Pledge Agreement (as defined below), Chinese law or the articles of association with respect to the equity transfer by each other shareholder (if any) to WFOE or its designated purchaser; and

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- (q) in the event that the consideration paid by the WFOE or its designated purchaser for the transfer of all or part of the interests in our PRC Affiliated Entities exceeds RMB0, shall pay such excess amount to the WFOE or its designated entity.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Exclusive Call Option Agreement shall remain effective perpetually from November 5, 2021. See “— Termination of the Contractual Arrangements” below for details.

Hefei Kang'en also entered into an exclusive call option agreement (the “**Hefei Kang'en Exclusive Call Option Agreement**”, and together with Shanghai MedSci Exclusive Call Option Agreement, the “**Exclusive Call Option Agreements**”) with Hefei Kang'en Registered Shareholders and the WFOE on November 5, 2021, as further amended by the Hefei Kang'en Supplemental Agreement. As both of the Hefei Kang'en Registered Shareholders are individuals, Hefei Kang'en Exclusive Call Option Agreement (as amended) omitted the clauses only applicable to institutional shareholders as comprised in Shanghai MedSci Exclusive Call Option Agreement (as amended). The terms of Hefei Kang'en Exclusive Call Option Agreement (as amended) have no material differences from and substantially mirror the terms of Shanghai MedSci Exclusive Call Option Agreement (as amended) set out above.

There are certain risks involved in the exercise of the Equity Call Option. See “Risk Factors — Risks Relating to Our Contractual Arrangements — If we exercise the option to acquire equity interests and/or assets of our Consolidated Affiliated Entities, the equity interests and/or assets transfer may subject us to certain limitations and substantial costs”.

(4) Equity Pledge Agreements

Pursuant to the equity pledge agreements (the “**Shanghai MedSci Equity Pledge Agreements**”) entered into among Shanghai MedSci, the WFOE and each of Shanghai MedSci Registered Shareholders on November 5, 2021, each of Shanghai MedSci Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/her/its equity interests in Shanghai MedSci, together with all related rights thereto to the WFOE as security for performance of the Shanghai MedSci Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by the WFOE as a result of any event of default on the part of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities and all expenses incurred by the WFOE as a result of enforcement of the obligations of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities under the Shanghai MedSci Contractual Arrangements (the “**Secured Indebtedness**”).

Pursuant to the Shanghai MedSci Equity Pledge Agreements, without the prior written consent of the WFOE, Shanghai MedSci Registered Shareholders shall not transfer the equity interests or create further pledge or encumbrance over the pledged equity interests. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interests shall be first used in the payment of the Secured Indebtedness or deposited to such

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third party as agreed to by the WFOE. Shanghai MedSci Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

Any of the following events shall constitute an event of default under the Shanghai MedSci Equity Pledge Agreements:

- (a) any of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities commits any breach of any obligations under the Shanghai MedSci Contractual Arrangements;
- (b) any representations or warranties or information provided by any of Shanghai MedSci Registered Shareholders and our PRC Affiliated Entities under the Shanghai MedSci Contractual Arrangements are proved incorrect or misleading; or
- (c) any provision in the Shanghai MedSci Contractual Arrangements becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, the WFOE shall have the right to enforce the Shanghai MedSci Equity Pledge Agreements by written notice to Shanghai MedSci Registered Shareholders in one or more of the following ways:

- (a) to the extent permitted under PRC laws and regulations, the WFOE may request Shanghai MedSci Registered Shareholders to transfer all or part of his/her/its equity interests in Shanghai MedSci to any entity or individual designated by the WFOE at the lowest consideration permissible under the PRC laws and regulations, while Shanghai MedSci Registered Shareholders irrevocably undertake that in the event that the consideration paid by the WFOE or its designated purchaser for the transfer of all or part of the equity interests in Shanghai MedSci exceeds RMB0, they shall pay such excess amount to the WFOE or its designated entity;
- (b) sell the pledged equity interests by way of auction or at a discount and have priority in the entitlement to the sales proceeds;
- (c) dispose of the pledged equity interests in other manner subject to applicable laws and regulations.

The Shanghai MedSci Equity Pledge Agreement remains effective until all obligations under the Shanghai MedSci Contractual Arrangements have been fully performed or all secured indebtedness have been fully paid.

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The pledges under the Shanghai MedSci Equity Pledge Agreements were registered with the relevant Administration of Industry and Commerce of the PRC on November 15, November 16 and December 9, 2021, respectively, and became effective on the same date of the registration of the pledge.

Each of Hefei Kang'en Registered Shareholders entered into an equity pledge agreement (the “**Hefei Kang'en Equity Pledge Agreement**”, and together with Shanghai MedSci Equity Pledge Agreements, the “**Equity Pledge Agreements**”) with Hefei Kang'en and the WFOE on November 5, 2021. The terms of Hefei Kang'en Equity Pledge Agreement have no material differences from and substantially mirror the terms of Shanghai MedSci Equity Pledge Agreements set out above. The pledges under the Hefei Kang'en Equity Pledge Agreements were registered with the relevant Administration of Industry and Commerce of the PRC on November 8, 2021 and became effective on the same date of the registration of the pledge.

(5) Shareholders' Rights Entrustment Agreements

Pursuant to the shareholders' rights entrustment agreement (the “**Shanghai MedSci Shareholders' Rights Entrustment Agreement**”) entered into among Shanghai MedSci, Shanghai MedSci Registered Shareholders and the WFOE on November 5, 2021, which was further amended by the Shanghai MedSci Supplemental Agreement, each of Shanghai MedSci Registered Shareholders has irrevocably authorized and entrusted the WFOE, its designated directors or the successor thereof (including the liquidator replacing the directors nominated by the WFOE), excluding any persons who are not independent or may give rise to conflicts of interest, to exercise all of his/their respective rights as shareholders of Shanghai MedSci to the extent permitted by the PRC laws. Under circumstances where a Shanghai MedSci Registered Shareholder concurrently serves as the Director or senior management of our Company, the aforesaid shareholders' rights shall be entrusted to our Company and be exercised by other Directors or senior management members of our Company who are free of conflicts of interest. These rights include, but are not limited to: (a) the right to attend shareholders' meetings; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting, including but not limited to appointing and electing directors, general manager, deputy general managers, chief financial officer and other senior managers, liquidation and dissolution, composition of liquidation team and/or their proxies, approval of liquidation plans and liquidation reports, etc.; (c) the right to propose extraordinary general meetings; (d) the right to sign all shareholders' minutes, resolutions and other legal documents; (e) the right to instruct the directors and legal representative to act in accordance with the instruction of the WFOE; (f) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of Shanghai MedSci; (g) the right to handle the legal procedures of registration, approval and licensing of Shanghai MedSci at the business administration authority or other government authorities; (h) the right to determine on transfer of disposal in other forms the shares in Shanghai MedSci held by Shanghai MedSci Registered Shareholders; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of Shanghai MedSci as amended from time to time.

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In addition, each of Shanghai MedSci Registered Shareholders has irrevocably agreed that (i) the WFOE may delegate its rights under the Shanghai MedSci Shareholders’ Rights Entrustment Agreement to the directors of the WFOE or its designated person, without prior notice to or approval by Shanghai MedSci Registered Shareholders; and (ii) any person as successor of civil rights of the WFOE or liquidator by reason of subdivision, merger, liquidation of the WFOE or other circumstances shall have authority to replace the WFOE to exercise all rights under Shanghai MedSci Shareholders’ Rights Entrustment Agreement.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Shareholders’ Rights Entrustment Agreement shall remain effective perpetually from November 5, 2021. See “— Termination of the Contractual Arrangements” below for details.

Hefei Kang’en also entered into a shareholders’ rights entrustment agreement (the “**Hefei Kang’en Shareholders’ Rights Entrustment Agreement**”, and together with Shanghai MedSci Shareholders’ Rights Entrustment Agreement, the “**Shareholders’ Rights Entrustment Agreements**”) with Hefei Kang’en Registered Shareholders and the WFOE on November 5, 2021, as further amended by the Hefei Kang’en Supplemental Agreement. The terms of Hefei Kang’en Shareholders’ Rights Entrustment Agreement (as amended) have no material differences from and substantially mirror the terms of Shanghai MedSci Shareholders’ Rights Entrustment Agreement (as amended) set out above.

(6) Shareholders’ Powers of Attorney

Pursuant to the shareholders’ powers of attorney (the “**Shanghai MedSci Shareholders’ Powers of Attorney**”) executed by each of Shanghai MedSci Registered Shareholders in favor of the WFOE on November 5, 2021, each of Shanghai MedSci Registered Shareholders authorized and appointed the WFOE, as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as shareholders of Shanghai MedSci. For details of the rights granted, see “— (5) Shareholders’ Rights Entrustment Agreements” above.

The WFOE shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of Shanghai MedSci Registered Shareholders irrevocably agreed that the authorization appointment in the Shanghai MedSci Shareholders’ Powers of Attorney shall not be invalid, revoked, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events.

Unless terminated in accordance with the provisions thereof, the Shanghai MedSci Shareholders’ Powers of Attorney shall remain effective perpetually from November 5, 2021. See “— Termination of the Contractual Arrangements” below for details.

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Each of Hefei Kang'en Registered Shareholders executed the shareholders powers of attorney (the “**Hefei Kang'en Shareholders' Powers of Attorney**”, and together with Shanghai MedSci Shareholders' Powers of Attorney, the “**Shareholders' Powers of Attorney**”) in favor of the WFOE on November 5, 2021. The terms of Hefei Kang'en Shareholders' Powers of Attorney have no material differences from and substantially mirror the terms of Shanghai MedSci Shareholders' Powers of Attorney set out above.

(7) Spouse Undertakings

Pursuant to the spouse undertakings (the “**Shanghai MedSci Spouse Undertakings**”) dated November 5, 2021, the respective spouse of each of Shanghai MedSci Registered Shareholders who are individuals has irrevocably undertaken to the WFOE that:

- (a) the spouse has full knowledge of and has consented to the entering into of the Shanghai MedSci Contractual Arrangements, and in particular, the arrangement as set out in the Shanghai MedSci Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interests in Shanghai MedSci, the pledge or transfer of the direct or indirect equity interests in Shanghai MedSci, or the disposal of the direct or indirect equity interests in Shanghai MedSci in any other forms;
- (b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities;
- (c) the spouse authorizes the respective Shanghai MedSci Registered Shareholder or his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interests in Shanghai MedSci in order to safeguard the interests of the WFOE under the Shanghai MedSci Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (d) any undertaking, confirmation, consent and authorization under Shanghai MedSci Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interests in Shanghai MedSci;
- (e) any undertaking, confirmation, consent and authorization under Shanghai MedSci Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and
- (f) all undertakings, confirmations, consents and authorizations under Shanghai MedSci Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both the WFOE and the spouse of the respective Shanghai MedSci Registered Shareholder in writing.

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Shanghai MedSci Spouse Undertakings shall have the same term as and incorporate the terms of the Shanghai MedSci Exclusive Business Cooperation Agreement.

The respective spouse of each of Hefei Kang'en Registered Shareholders who are individuals issued spouse undertakings (the “**Hefei Kang'en Spouse Undertakings**”, and together with Shanghai MedSci Spouse Undertakings, the “**Spouse Undertakings**”) dated November 5, 2021 to the WFOE. The terms of Hefei Kang'en Spouse Undertakings have no material differences from and substantially mirror the terms of Shanghai MedSci Spouse Undertakings set out above.

Confirmation from the Registered Shareholders

Each of Dr. Li, Dr. Zhang and Mr. Yang has confirmed to the effect that (i) his/her interests do not fall within the scope of communal properties, and his/her spouse does not have the right to claim any interests in the Onshore Holdcos (together with any other interests therein) or exert influence on the day-to-day management and voting matters of the Onshore Holdcos; and (ii) in the event of his/her death, disappearance, incapacity, divorce, marriage or any other event which causes his/her inability to exercise his/her rights as a shareholder of the Onshore Holdcos, his/her successors (including his/her spouse) will not take any actions that would affect his/her obligations under the Contractual Arrangements.

DISPUTE RESOLUTION

The Contractual Arrangements provide that:

- (a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Contractual Arrangements shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;
- (b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to, and have the dispute finally resolved by, arbitration administered by the Shanghai International Economic and Trade Arbitration Commission in Shanghai, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interests, property interests and other assets of our PRC Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Affiliated Entities; and
- (d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong,

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the Cayman Islands and the place where the principal assets of our Company, our PRC Affiliated Entities 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 Adviser that:

- (a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or interests in our PRC Affiliated Entities in case of disputes. As such, these remedies may not be available to our Group under PRC laws;
- (b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of our PRC Affiliated Entities, injunctive relief or winding-up of our PRC Affiliated Entities as interim remedies, before there is any final outcome of arbitration;
- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or equity interests in our PRC Affiliated Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;
- (d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over our PRC Affiliated Entities, and our ability to conduct our business may be negatively affected; and
- (e) even if the above-mentioned 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 of the above, in the event that our PRC Affiliated Entities or any of 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 our PRC Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to our Contractual Arrangements” in this Document for details.

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PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS

As disclosed above, pursuant to the Spouse Undertakings, each of the spouse of the relevant Registered Shareholders who are individuals has irrevocably undertaken that, among others, the spouse authorizes the relevant Registered Shareholders and his/her authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the direct and indirect equity interests of the relevant Registered Shareholders in Onshore Holdcos in order to safeguard the interests of the WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. See “— (7) Spouse Undertakings” above for details.

In addition, as disclosed above, pursuant to the Exclusive Business Cooperation Agreements, (i) the Registered Shareholders who are individuals undertook to the WFOE that in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interests in Onshore Holdcos, he/she shall have made all necessary arrangement and sign all necessary documents such that his/her successor, guardian, spouse and any other person which may, as a result of the above events, obtain the equity interests or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements; (ii) the Registered Shareholders which are institutions undertook to the WFOE that, in the event of dissolution, liquidation, revocation or other circumstances which may affect the exercise of its direct or indirect equity interests in Onshore Holdcos, it shall have made all necessary arrangement and sign all necessary documents such that its successor, administrator and liquidator and any other person which may, as a result of the above events, obtain the equity interests or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR CONSOLIDATED AFFILIATED ENTITIES

Pursuant to the Exclusive Business Cooperation Agreements, in the event of the dissolution or liquidation of the Consolidated Affiliated Entities, the Registered Shareholders undertake that, among others, the WFOE and/or its designee shall have the right to exercise all shareholders’ rights on behalf of the Registered Shareholders and shall instruct the Registered Shareholders to transfer assets received under PRC laws directly to the WFOE and/or our designee. See “— (1) Exclusive Business Cooperation Agreements” above for details.

Furthermore, the WFOE has been irrevocably authorized and entrusted to exercise the rights of Registered Shareholders as shareholders of the Onshore Holdcos. See “— (5) Shareholders’ Rights Entrustment Agreements” above for details.

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LOSS SHARING

In the event that it incurs any loss or encounters any operational crisis, the WFOE may, but is not obliged to, provide financial support to the Consolidated Affiliated Entities.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, the WFOE, is obligated to share the losses of the Consolidated Affiliated Entities. Further, the Consolidated Affiliated Entities shall be solely liable for their own debts and losses with assets and properties owned by them.

Under PRC laws and regulations, our Company or the WFOE, is not expressly required to share the losses of the Consolidated Affiliated Entities or provide financial support to the Consolidated Affiliated Entities. Despite the foregoing, given that the Consolidated Affiliated Entities’ financial condition and results of operations are consolidated into our Group’s financial condition and results of operations under the applicable accounting principles, our Company’s business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements as disclosed in “— (3) Exclusive Call Option Agreements” above, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

Each of the Contractual Arrangements provides that: (a) each of the Contractual Arrangements shall be terminated upon the completion of the purchase of all the interests that the Registered Shareholders (directly and indirectly) hold in the Consolidated Affiliated Entities by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, save for the Equity Pledge Agreements which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) the WFOE shall have the right to terminate the Contractual Arrangements by serving 30-day prior notice; and (c) the Consolidated Affiliated Entities or the Registered Shareholders shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow the WFOE or us to directly hold all or part of the interests in our Consolidated Affiliated Entities and operate the relevant restricted/prohibited business in the PRC, the WFOE shall exercise the Equity Call Option as soon as practicable and the WFOE or its designated party shall purchase such amount of interests to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the interests that the Registered Shareholders (directly and indirectly) hold in our Consolidated Affiliated Entities by the WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreements, each of the Contractual Arrangements shall be automatically terminated. The Registered Shareholders have undertaken to compensate to the WFOE or

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its respective designated entity any consideration they received in the event that the WFOE or its respective designated purchaser acquire all or part of the interests in the Consolidated Affiliated Entities.

INSURANCE

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in “Risk Factors — Risks Relating to Our Contractual Arrangements”. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, our Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. See “Risk Factors — Risks Relating to Our Business and Industry — We have limited business insurance coverage, which could expose us to significant costs and business disruption.”

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on one hand, and our Company on the other hand. Pursuant to the Exclusive Business Cooperation Agreements, each of the Registered Shareholders undertakes to the WFOE that, unless with the prior written consent of the WFOE, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and the WFOE is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the entity engaging in the Competing Business to cease operation. See “— (1) Exclusive Business Cooperation Agreement” above for details. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Registered Shareholders on one hand, and our Company on the other hand.

OUR CONFIRMATION

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements. As advised by our PRC Legal Advisor, other than as disclosed in “Risk Factors — Risks relating to our Contractual Arrangements — Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could negatively affect our financial condition and the value of your [REDACTED]”, we are not subject to any additional material income tax exposures as a result of the adoption of the Contractual Arrangements.

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

On April 15, 2022 and February 10, 2023, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors consulted the SCA, which have provided verbal confirmations that the adoption of the Shanghai MedSci Contractual Arrangements would not be subject to any approval or consent from the SCA, and the Shanghai MedSci Contractual Arrangements do not conflict or violate any applicable PRC laws and regulations.

On April 18, 2022, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors made a consultation with the ARTA, which have provided verbal confirmations that the adoption of Hefei Kang'en Contractual Arrangements would not be subject to any approval or consent from the ARTA, and the Hefei Kang'en Contractual Arrangements do not conflict or breach any applicable PRC laws and regulations.

As disclosed in “— PRC Laws and Regulations relating to Foreign Ownership Restrictions” above, our PRC Legal Adviser is of the view that the SCA and the ARTA are the competent government authorities to regulate our Relevant Businesses.

Our PRC Legal Adviser is of the opinion that:

- (a) each of the Consolidated Affiliated Entities was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations, and each of the Registered Shareholders is with full civil and legal capacity. Each of the Consolidated Affiliated Entities has also obtained all material approvals and finished all material registration for conducting their businesses as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;
- (b) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of the Consolidated Affiliated Entities, injunctive relief and/or winding up of our PRC Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interests in the Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts, such as the courts of Hong Kong and the Cayman Islands, may not be recognizable or enforceable in China;
- (c) the Contractual Arrangements do not violate the provisions of “impairing others’ legitimate rights and interests with malicious collusions” as stipulated in the PRC Civil Code (《中華人民共和國民法典》) (the “**Civil Code**”), or fall within any circumstances under which a contract may be determined invalid pursuant to the Civil Code;

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- (d) entering into and performance of the Contractual Arrangements is not in violation of provisions of the articles of association of each of the WFOE and the Consolidated Affiliated Entities;
- (e) entering into and the performance of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interests in the Onshore Holdcos in favor of the WFOE is subject to registration requirements with relevant Administration Bureau for Market Regulation; (ii) the equity transfer of the Onshore Holdcos contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and
- (f) the Contractual Arrangements do not violate the M&A Rules.

However, 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 Adviser. If the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the relevant businesses, we could be subject to severe penalties, which could include:

- (1) revoking the business and operating licenses of the WFOE and the Consolidated Affiliated Entities;
- (2) restricting or prohibiting related party transactions between the WFOE and the Consolidated Affiliated Entities;
- (3) imposing fines or other requirements with which we, the WFOE and the Consolidated Affiliated Entities may find it difficult or impossible to comply with;
- (4) requiring us, the WFOE and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; and
- (5) restricting or prohibiting the use of any [REDACTED] from the [REDACTED] to finance our business and operations in the PRC.

Taking into account that (i) as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements which confer the control and economic benefits of the Consolidated Affiliated Entities to us, and (ii) the above analysis and advice from our PRC Legal Adviser and confirmation from relevant governmental authorities, 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, and that the Contractual

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Arrangements are enforceable under the PRC laws and regulations, other than the exception as discussed in paragraph (b) under “— Legality of the Contractual Arrangements” above. See “Risk Factors — Risks Relating to Our Contractual Arrangements” for the relevant risk.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in “Connected Transactions”.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the NPC approved the Foreign Investment Law (《中華人民共和國外商投資法》) which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Regulations on the Implementation of the Foreign Investment Law (《中華人民共和國外商投資法實施條例》), which came into effect on January 1, 2020. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Ventures Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign Invested Enterprises Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and Consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. We use the Contractual Arrangements to establish control of the Consolidated Affiliated Entities, by the WFOE through which we operate our business in the PRC. As advised by our PRC Legal Adviser, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, if future laws, regulations and provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements do not contravene the Foreign Investment Law in any material aspect, and will not be affected and will continue to be legal, valid and binding on the parties with an exception that an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interests in the Consolidated Affiliated Entities in case of disputes, and that interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China. See “— Legality of the Contractual Arrangements” above for details.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without

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elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled by relevant PRC authorities. Therefore, there is no guarantee that the Contractual Arrangements and the business of the 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 Contractual Arrangements — Substantial uncertainties exist with the regulations regarding foreign ownership restrictions and how the 2022 Decision may impact the viability of our current corporate structure.”

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:

- (a) 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 as and when they arise;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (d) 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 the WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that two of our Directors, Dr. Li and Dr. Zhang, are the Registered Shareholders, our Company believes 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] under the following measures:

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

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- (b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he or she acts for the benefits and in the best interests of our Group;
- (c) our Company will appoint three independent non-executive Directors, comprising more than one-third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and the Shareholders as a whole; and
- (d) our Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of operating entities

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. As a result of the aforementioned Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through the WFOE and, at our Company’s sole discretion, can receive all of the economic interest returns generated by the Consolidated Affiliated Entities.

As there is no change in management of our business for [REDACTED] and the majority of owners of our businesses remained the same, our Group resulting from the Reorganization (including the entering into of the Contractual Arrangements) is regarded as a continuation of the businesses of the Consolidated Affiliated Entities. In addition, as a result of the Contractual Arrangements, our Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Consequently, our Company regards the Consolidated Affiliated Entities as our indirect subsidiaries for accounting purposes. Accordingly, our financial results during the Track Record Period (or where the entity was established on a date later than January 1, 2020, for the period from the date of establishment to December 31, 2022) can be prepared on a consolidated basis and is presented using the carrying values of the businesses of the Consolidated Affiliated Entities for all periods presented.

The financial information in the Accountant’s Report has consolidated the financial results of the Consolidated Affiliated Entities during the Track Record Period as if they were consolidated subsidiaries. The basis of consolidating the results of the Consolidated Affiliated Entities is disclosed in notes 2 and 3 to the Accountant’s Report set out in Appendix I to this Document.