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## CONTRACTUAL ARRANGEMENTS

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### INTRODUCTION

Foreign investment activities in the PRC are mainly governed by the Encouraged Industry Catalogue for Foreign Investment (2020 version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Catalogue**”), 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 (Negative List) (《外商投資准入特別管理措施(負面清單)》), the latest amended version of which was jointly promulgated by the MOFCOM and the NDRC on June 23, 2020 and took effect from July 23, 2020 (the “**Negative List**”). The Catalogue and the Negative List stipulate industries in which foreign investment is restricted and prohibited.

We are primarily engaged in the operation of an online professional physician platform and mainly offer three types of solutions, namely precision marketing and corporate solutions, medical knowledge solutions and intelligent patient management solutions.

Yimaihutong operates our *Medlive* website and desktop and mobile applications. The provision of medical knowledge solutions on our *Medlive* website and desktop and mobile applications involves the provision by Yimaihutong of medical information and content (including *Clinical Guides* (臨床指南), *Reference Aid for Medicine* (醫學文獻王), *Clinical Drug Reference* (用藥參考) and *Medical Dictionary* (全醫藥學大詞典)) for fees (including membership fees) and therefore is subject to restrictions under PRC regulations relating to value-added telecommunication. Furthermore, Yimaihutong is engaging in the business for any foreign-related market investigation and planning to engage in the production of online medical radio and television video shows and programs, once such production commences, Yimaihutong will be engaging in the production of radio and television video and programs and Internet culture business. Yimaihutong, holds the relevant licenses, including the value-added telecommunications business operating license for provision of Internet information services (電信與信息服務業務經營許可證) (the “**ICP License**”), the radio and television program production license (廣播電視節目製作許可證) (the “**Radio and TV License**”) the Internet cultural operation license (網絡文化經營許可證) (the “**Internet Culture License**”) and the License for Foreign-Related Investigation (涉外調查許可證) (the “**Foreign-Related Investigation License**”), required for carrying out the above services and operating the aforementioned businesses. Yinchuan Yimaitong’s business focus is to provide online consultation and e-prescription services through its own platform through cooperation with a qualified hospital in Ningxia Autonomous Region, or Internet hospital services. Yinchuan Yimaitong holds the medical institution practicing license (醫療機構執業許可證) (“**Medical Institution Practicing License**”), required for carrying out the Internet hospital service. As advised by our PRC Legal Adviser, the aforementioned businesses (the “**Relevant Businesses**”) are considered to involve (i) value-added telecommunications services; (ii) foreign-related market investigation business; (iii) radio and television program production business; (iv) Internet culture business and (v) Internet hospital services, which are subject to foreign investment restrictions

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and/or prohibition 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, please see the section headed “Regulatory Overview”.

The revenue contribution of all of the Consolidated Affiliated Entities to our Group, taking into account all of their respective businesses with or without foreign investment restrictions under PRC laws, amounted to approximately 4%, 10% and 11% of the total revenue of our Group for the three years ended December 31, 2020, respectively. The revenue contribution of the businesses of the Consolidated Affiliated Entities with foreign investment restrictions under PRC laws, being fees (including membership fees) paid by users for the access of medical information and content on our *Medlive* website and desktop and mobile applications and service fees received from overseas pharmaceutical companies for digital market research solutions under *eSurvey* on our *Medlive* platform, amounted to approximately 3.3%, 6.7% and 4.7% of the total revenue of our Group for the three years ended December 31, 2020 respectively.

Overseas pharmaceutical companies looking to conduct marketing campaigns use our digital market research solutions through *eSurvey* in our *Medlive* platform to conduct pre-marketing surveys, which is a foreign investment restricted business, together with our digital content creation and digital detailing solutions to conduct precision digital marketing, which are non-foreign investment restricted businesses, which form an inseparable solution for such overseas pharmaceutical companies’ campaigns. In such cases, Yimaihutong had entered into transactions with customers for the provision of such services, leading to revenue contribution from the Consolidated Affiliated Entities of non-foreign investment restricted businesses during the Track Record Period.

**(i) “Restricted” — Value-added telecommunication services business**

Yimaihutong is required to hold an ICP License as provision of medical knowledge solutions on our *Medlive* website and desktop and mobile applications, which involves the provision by Yimaihutong of medical information and content (including *Clinical Guides* (臨床指南), *Reference Aid for Medicine* (醫學文獻王), *Clinical Drug Reference* (用藥參考) and *Medical Dictionary* (全醫藥學大詞典)) for fees (including membership fees), falls within the scope of the “value-added telecommunications services” under the Telecommunications Regulations (《電信條例》). Foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecom business (excluding e-commerce, domestic multiparty communication services, store-and-forward services and call center services).

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### *Qualification Requirements*

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “**FITE Regulations**”), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests 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 (the “**Qualification Requirements**”). Enterprises engaged in value-added telecom business in the PRC with foreign investors that meet these requirements must obtain approvals from MIIT and/or its authorized local counterparts which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s previous telecommunications business licenses issued by the relevant local authorities, satisfactory proof of the Qualification Requirements and a business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Adviser has advised us that as of the Latest Practicable Date, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we intend to gradually build up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests in the Consolidated Affiliated Entities when the relevant PRC law allow foreign investors to invest and to hold a majority interest in value-added telecommunications enterprises in China. We intend to take the following measures to meet the Qualification Requirements:

- We have registered the domain name, medlive.hk, in Hong Kong.
- We are planning to construct a website in Hong Kong using traditional Chinese characters that will facilitate potential Chinese users that customarily read traditional Chinese to access and read some of our content that is available in our PRC website. In this connection, we have taken appropriate steps to protect our intellectual property rights, including registering a trademark in Hong Kong.

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- The website in Hong Kong will form the basis of our overseas expansion and we will cautiously consider constructing other offshore websites and recruiting personnel for that purpose taking into account the capital needs of our business in China and risks involved in overseas expansion.

Our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted a consultation with the division director of the Communication Development Department of the MIIT (工業和信息化部通信發展司) on March 7, 2021, during which it confirmed that (i) there is no set criteria for the Qualification Requirements, (ii) the measures described above such as the construction of a website overseas (including Hong Kong) and related proposed business activities which relate to value-added telecommunications operations may be generally deemed to fulfill the Qualification Requirement, subject to MIIT's substantive examination and its discretion to decide whether our Group satisfies the Qualification Requirement, and (iii) in the case of Yimaihutong, we will not be granted an ICP license through any sino-foreign equity joint venture or wholly-owned foreign investment entity even if we meet the Qualification Requirements. Qualification Requirements will not be satisfied if the foreign entity without actual business intends to directly or indirectly acquire equity interests of ICP licenses holder. Our PRC Legal Adviser has confirmed that (i) the MIIT is the competent authority to provide such confirmation and (ii) based on the confirmations given by the MIIT and subject to the discretion of the competent authorities and a substantive examination by the MIIT in accordance with the approval procedures under PRC laws and regulations on whether the Group has fulfilled the Qualification Requirements, the above steps taken by us are reasonable, appropriate and sufficient in relation to the Qualification Requirements.

We will, as applicable and when necessary, make inquiries with relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

### **(ii) “Restricted” — Internet Hospital Services**

Yinchuan Yimaitong is required to hold a Medical Institution Practicing License to engage in Internet hospital services.

As advised by our PRC Legal Adviser, as the PRC Internet healthcare industry is new and evolving, the Negative List lacks clear guidance on the categorization of operation of “Internet hospital services” in terms of foreign investment restriction. However, according to the Provisional Measures for the Administration of Medical Institutions in the Form of Sino-foreign Equity or Contractual Joint Venture (《中外合資合作醫療機構管理暫行辦法》), operation of “medical institutions” falls within the “restricted category” and foreign investors are not allowed to hold more than 70% equity interests in a “medical institution”. Yinchuan Yimaitong has a Medical

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Institution Practicing License issued by Yinchuan Approval Service Administration (銀川市審批服務管理局). The license stipulates that the licensed diagnostic and treatment services shall be provided via the Internet. Our PRC Legal Adviser has advised that it remains uncertain whether the foreign investment restrictions applicable to “medical institutions” would apply to Yinchuan Yimaitong.

On February 2, 2021, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted an interview with the director of Yinchuan Data Industrial Development Service Center (銀川市大數據產業發展服務中心) as the examination and verification authority responsible for the online precondition review for the application of the Medical Institution Practicing License. Yinchuan Data Industrial Development Service Center confirmed that they would not issue the Certificate of the City-level Internet Hospital Regulatory Platforms (市級互聯網醫院監管平台證明) (the “**Certificate**”) if there is any foreign investor investing in Yinchuan Yimaitong. Without the Certificate from Yinchuan Data Industrial Development Service Center, Yinchuan Approval Service Administration (銀川市審批服務管理局), the ultimate authority to approve applications for the operation of Internet hospital service, will not proceed with the issuance of the Medical Institution Practicing License. On February 3, 2021, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted an interview with the division deputy director of Yinchuan Approval Service Administration. Yinchuan Approval Service Administration confirmed that the establishment of sino-foreign equity joint venture Internet hospitals is prohibited, and there is no precedent for any sino-foreign joint venture of Internet hospitals.

Our PRC Legal Adviser confirmed that (i) each of Yinchuan Data Industrial Development Service Center and Yinchuan Approval Service Administration is a competent authority on the basis that (a) according to the Provisions on the Function Configuration and Internal Organizations of Yinchuan Approval Service Administration (《銀川市審批服務管理局職能配置和內設機構規定》) promulgated on July 13, 2020, the responsibilities of Yinchuan Approval Service Administration include approving the establishment and operation of medical institutions and Yinchuan Approval Service Administration confirmed during the interview that it is the approval department for the establishment of Internet hospitals, and (b) Yinchuan Data Industrial Development Service Center is the approval authority with respect to the issuance of the Certificate, being a prerequisite and necessary document without which Yinchuan Approval Service Administration will not proceed with the issuance of the Medical Institution Practicing License, and (ii) the interviewees are the director of Yinchuan Data Industrial Development Service Center and the division deputy director of Yinchuan Approval Service Administration and they are competent authorities to give the confirmation above-mentioned, and, based on such confirmation, our Company is currently unable to establish a sino-foreign equity joint venture to obtain the Medical Institution Practicing License for Internet hospital.

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### (iii) “Restricted” — Foreign-Related Investigation Service

Under precision marketing and corporate solutions, Yimaihutong provides digital market research solutions to overseas pharmaceutical companies under *eSurvey* on our *Medlive* platform, which is considered to be engaged in foreign-related market investigation business, and as such, Yimaihutong is required to hold a Foreign-Related Investigation License. According to the Measures for the Administration of Foreign-related Investigation (涉外調查管理辦法) issued by the National Bureau of Statistics of China (國家統計局) on October 13, 2004, (i) the National Bureau of Statistics shall be in charge of the qualification evaluation for institutions applying for Foreign-Related Investigation License and (ii) no overseas organization or individual may directly conduct any market or social investigation in China or conduct any market or social investigation through any institution without the foreign-related investigation license. In addition, the Negative List requires market investigation shall only be limited to the form of equity joint venture; for radio and television ratings survey therein, controlling stake shall be held by the Chinese Party.

Based on consultations on March 29, 2021 and June 9, 2021, in both cases with the duty officer of Civilian and Foreign-related Investigation Management Office of the Law Enforcement Supervision Bureau under the National Bureau of Statistics of China (國家統計局執法監督局民間和涉外調查管理處) which is the relevant competent authority, (i) companies that engages in market investigation shall only be limited to the form of sino-foreign equity joint venture and the National Bureau of Statistics of China has discretion over the specific proportion of equities held by foreign investors, (ii) foreign investments in companies that engages in social investigation are prohibited, and (iii) given the nature of the business of Yimaihutong and the types of investigations that it conducts or may conduct, we will not be granted a Foreign-Related Investigation License through any sino-foreign equity joint venture. Based on the aforesaid, it is concluded that foreign investment in Yimaihutong is prohibited. The consultations were conducted in the form of telephone consultation, through the consultation telephone hotline posted on the official website of National Bureau of Statistics of China, regarding the foreign-related investigation license approval. As advised by our PRC Legal Adviser, the National Bureau of Statistics of China is the competent authority.

The provision of digital market research solutions to overseas pharmaceutical companies by Yimaihutong is part of our precision marketing and corporate solutions which forms an integral part of the operations of our *Medlive* platform. Given that Yimaihutong also engages in value-added telecommunications services and plans to engage in radio and television program production business and Internet culture business, which are subject to foreign investment restrictions or prohibitions as disclosed in this prospectus and highly integrated, correlated and inseparable from each other, we are restricted from holding direct interests in Yimaihutong, despite the fact that foreign investors may engage in market investigation through sino-foreign equity joint ventures.



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**(iv) “Prohibited” — Production of radio and television video and programs and Internet cultural business**

Yimaihutong is required to hold a Radio and TV License and an Internet Culture License for engaging in the business of the production of online medical radio and television video programs, such as special topics, special columns and other radio and television programs, where foreign investment is prohibited according to the Negative List.

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Because foreign investment in the Relevant Businesses is subject to restrictions and/or prohibitions under current PRC laws and regulations as outlined above, we are restricted from holding direct interests in:

- (i) Yimaihutong, which (a) provides medical information and content for fees (including membership fees) on our *Medlive* website and desktop and is closely related to and forms an integral part of the operations of our *Medlive* website and desktop by Yimaihutong, and (b) holds the Radio and TV License and Internet Culture License and (c) holds the License for Foreign-Related Investigation for engaging in the business for any foreign-related market investigation; and
- (ii) Yinchuan Yimaitong, which provides Internet hospital services.

We do not directly own any equity interests in the Consolidated Affiliated Entities. Yimaihutong is held by Ms. Tian Liping as to 50% and Dr. Li Zhuolin (李卓霖) as to 50%, and Yinchuan Yimaitong which is wholly-owned by Yimaihutong.

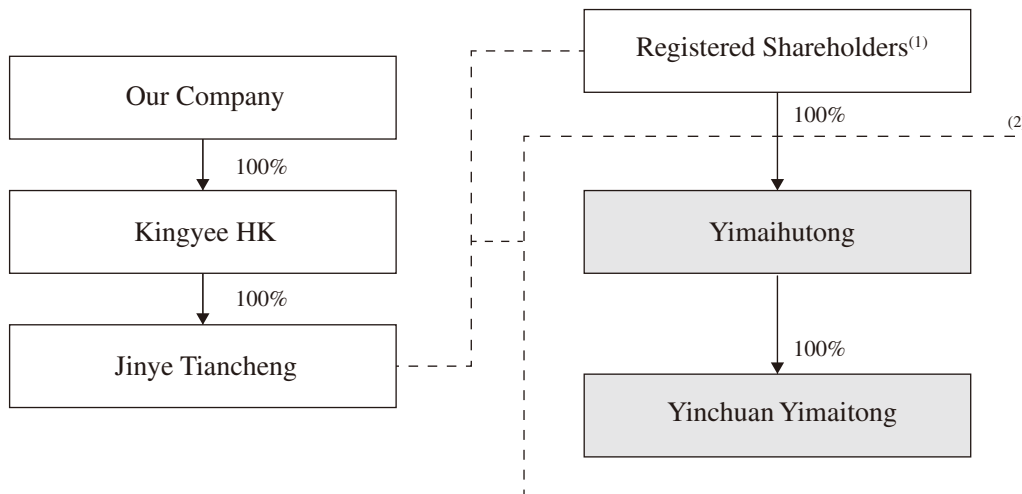
In view of the aforementioned PRC regulatory background, after consultation with our PRC Legal Adviser, we determined that it was not viable for our Company to hold the Consolidated Affiliated Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by the Consolidated Affiliated Entities through the Contractual Arrangements between Jinye Tiancheng, on the one hand, and Yimaihutong (which holds all of the equity interests in Yinchuan Yimaitong) and the 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 HKFRS as if they were subsidiaries of our Group.

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In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our operations, we commenced a series of reorganization activities.

In connection with the Listing and in order to ensure that our Contractual Arrangements are, and will continue to remain, narrowly tailored in accordance with the Stock Exchange’s requirements, (i) Yimaihutong transferred 100% of the equity interests in Maili Technology, a company engaged in research and development which was neither restricted nor prohibited from foreign investments pursuant to the applicable PRC laws and regulations, to Jinye Tiancheng and (ii) we entered into the current set of Contractual Arrangements on March 8, 2021 to terminate and replace the Original Contractual Arrangements that we entered into on November 6, 2013 and January 15, 2014. Jinye Tiancheng 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 the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus 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 because: (i) the Contractual Arrangements were freely negotiated and entered into between Jinye Tiancheng and the Consolidated Affiliated Entities; (ii) by entering into the Exclusive Operation Services Agreement with Jinye Tiancheng, which is our subsidiary incorporated in PRC, the Consolidated Affiliated Entities will enjoy better economic and technical support from us, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.



- denotes direct legal and beneficiary ownership in the equity
- - - denotes contractual relationships under the Contractual Arrangements
- [ ] denotes the equity interests controlled by the Group under the Contractual Arrangements
- denotes our Consolidated Affiliated Entities



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*Notes:*

- (1) The Registered Shareholders are Ms. Tian Liping and Dr. Li Zhuolin (李卓霖), who holds 50% and 50% of the equity interests in Yimaihutong, respectively.
- (2) The Exclusive Operations Service Agreement, Exclusive Option Agreement, Loan Agreements, Shareholders' Rights Entrustment Agreement, Equity Pledge Agreement and Spouse Undertakings together form the legal relationship under the Contractual Arrangements.

### **Summary of the agreements under the Contractual Arrangements and other key terms thereunder**

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

#### ***Exclusive Operation Services Agreement***

The Registered Shareholders and Yimaihutong have entered into exclusive operation services agreement with Jinye Tiancheng on March 8, 2021 (the “**Exclusive Operation Services Agreement**”), pursuant to which, Yimaihutong agreed to engage Jinye Tiancheng as its exclusive provider of technical support, consulting services and other services in exchange for a service fee.

Under the Exclusive Operation Services Agreement, the services to be provided include but are not limited to (i) provide advice, support and assistance relating to the operation of medical information business, investigation business and e-detailing business, operation, project and membership management and accounting and tax management; (ii) formulate plans relating to Yimaihutong's current and future assets and business operations and be responsible for implementing these plans; (iii) provide opinions, suggestions and management to improve Yimaihutong's human resources and operational capabilities; (iv) assist Yimaihutong in collecting technical and commercial data and conducting market research and provide industry information and management strategies; (v) screen and recommend customers for Yimaihutong and provide recommendations and strategies relating to promotion; (vi) second Jinye Tiancheng's technicians and employees to Yimaihutong to provide technical operation monitoring, market strategy research, and formulate operating strategies; (vii) provide suggestions and opinions on the establishment and improvement of company structure, management system and department configuration; (viii) screen and recommend suppliers for Yimaihutong; (ix) license Yimaihutong the right to use all necessary intellectual property rights of Jinye Tiancheng; and (x) other relevant technical services, operation and maintenance, equipment and facilities provision, management and consulting services provided from time to time at the request of Yimaihutong as permitted by the laws and regulations of the PRC.

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Jinye Tiancheng has exclusive proprietary rights and interests to all the intellectual properties developed or created by itself from the performance of these services and has the right to use such proprietary rights free of charge. During the term of the Exclusive Operation Service Agreement, Jinye Tiancheng may use the intellectual property rights owned by Yimaihutong and its subsidiary free of charge and without any conditions. Yimaihutong and its subsidiary may also use the intellectual property work created by Jinye Tiancheng from the services performed by Jinye Tiancheng in accordance with the Exclusive Operation Service Agreement. Without a prior written consent of Jinye Tiancheng, Yimaihutong shall not, and shall procure its subsidiary not to, assign, transfer, mortgage, license or otherwise dispose of any of the above intellectual property rights.

Under the Exclusive Operation Services Agreement, the service fee shall be an amount equal to 100% of the distributable net profit of Yimaihutong of a given audited financial year, after deducting losses from the previous financial years (if any) and any statutory provident fund (if applicable). Apart from the service fees, Yimaihutong shall reimburse all reasonable costs, reimbursed payments and out-of-pocket expenses incurred by Jinye Tiancheng in connection with the performance of the Exclusive Operation Services Agreement and provision of services.

In addition, without a prior written consent of Jinye Tiancheng, during the term of the Exclusive Operation Services Agreement, the Registered Shareholders and Yimaihutong shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish similar corporation relationships with any third party. Jinye Tiancheng has the right to appoint any third party to provide any or all of the services, or to fulfill its obligations under the Exclusive Operation Services Agreement.

The Exclusive Operation Services Agreement shall become effective from signing and shall continue to be effective until being terminated in accordance with the terms therein. According to the Exclusive Operation Services Agreement, unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jinye Tiancheng) is entitled to unilaterally terminate the agreement. Furthermore, pursuant to the Exclusive Operation Services Agreement, it may only be terminated in the event that (i) continued performance of the obligations of the agreements will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Jinye Tiancheng or its designated person(s) directly holds all the equity interests in Yimaihutong, and all of the Registered Shareholders' equity interests in Yimaihutong or all of the assets of Yimaihutong attributable to the Registered Shareholders are transferred to Jinye Tiancheng pursuant to applicable PRC laws and regulations or (iii) Jinye Tiancheng unilaterally terminates the agreement.

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### *Exclusive Option Agreement*

On March 8, 2021, Jinye Tiancheng, the Registered Shareholders and Yimaihutong entered into exclusive option agreement (the “**Exclusive Option Agreement**”).

Pursuant to the Exclusive Option Agreement, (i) each of the Registered Shareholders irrevocably and unconditionally grants an exclusive option to Jinye Tiancheng which entitles Jinye Tiancheng to elect to purchase at any time, itself or through its designated person(s), when permitted by the then applicable PRC laws, (a) all or any part of the equity interests in Yimaihutong and (b) the Registered Shareholders’ present and future rights, interests, income, claims, current or future receivables and compensations related to their equity interests in Yimaihutong and dividends and other payments distributed from Yimaihutong to the Registered Shareholders from time to time and (ii) Yimaihutong irrevocably and unconditionally grants an exclusive option to Jinye Tiancheng which entitles Jinye Tiancheng to elect to purchase at any time, itself or through its designated person(s), when permitted by the then applicable PRC laws, all or part of the assets of Yimaihutong. The transfer price of the relevant equity interests and assets shall be the minimum purchase price permitted under PRC law, and each of the Registered Shareholders and Yimaihutong will undertake that she/it will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer of equity interests or assets to Jinye Tiancheng.

The Registered Shareholders undertake to develop the business of Yimaihutong and not to take any action which may affect their asset value, goodwill and effectiveness of business licenses. Furthermore, in the absence of prior written consent of Jinye Tiancheng, the Registered Shareholders shall not (i) transfer or otherwise dispose of any option under the Exclusive Option Agreement, or create any encumbrances thereon; and Yimaihutong shall not assist in transferring or otherwise disposing of any option under the Exclusive Option Agreement, or creating any encumbrances thereon; (ii) require Yimaihutong to distribute dividends or other forms of profit distribution in respect of their equity interest of Yimaihutong. In any event, if the Registered Shareholders receive any of Yimaihutong’s income, profit distribution, or dividends, the Registered Shareholders shall, within the scope permitted by laws and regulations of the PRC, waive the receipt of such income, profit distribution, or dividends, and immediately pay the same to Jinye Tiancheng or its designated person(s); (iii) directly or indirectly (by itself or through the entrustment of any other natural person or legal person entity) carry out, own or acquire any business compete with or likely compete with the business of Jinye Tiancheng or our Group; and (iv) engage in business operations or any other conduct which will adversely affect Jinye Tiancheng’s reputation.

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In the absence of prior written consent of Jinye Tiancheng, Yimaihutong shall not (i) directly or indirectly dispose or dilute the rights and interests of its subsidiary and branches; (ii) change its principal business, conduct any business activities that may have a significant impact on its assets, business, rights and operations; (iii) carry out merger, form partnership or joint venture with any person, acquire or invest in any person, carry out division or reorganization, amend its articles of association or any joint venture contract and change registered capital or the form of the company; and (iv) incur, inherit, guarantee or allow any debt, except (a) debts generated in the normal course of business other than through loans; and (b) debts that have been disclosed to, and approved in writing by, Jinye Tiancheng.

In addition, the Registered Shareholders and Yimaihutong undertake that, upon Jinye Tiancheng issuing the notice to exercise the option in accordance with the Exclusive Option Agreement, they will implement necessary actions to effect the transfer and relinquish any pre-emptive right, if any. Each of the parties to the Exclusive Option Agreement confirms and agrees that (i) in the event of a dissolution or liquidation of Yimaihutong under the PRC laws, all the residual assets which are attributable to the Registered Shareholders shall be transferred to Jinye Tiancheng or its designated person(s) at the minimum purchase price permitted under PRC law, and each of the Registered Shareholders and Yimaihutong undertakes that they will, subject to applicable PRC laws, return in full the consideration received in relation to such transfer to Jinye Tiancheng or its designated person(s), (ii) in the event of bankruptcy, death or incapacity divorce of the Registered Shareholders, change of shareholders or any other event which causes changes to the Registered Shareholders' shareholding in Yimaihutong, the successor of the Registered Shareholders' equity interest in Yimaihutong shall be bound by the Contractual Arrangements, and (iii) any disposal of shareholding in Yimaihutong shall be governed by the Contractual Arrangements unless Jinye Tiancheng consents otherwise in writing.

The Exclusive Option Agreement shall become effective from signing. The Exclusive Option Agreement has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreements (except Jinye Tiancheng) is entitled to unilaterally terminate the agreement.

The Exclusive Option Agreement may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Jinye Tiancheng or its designated person(s) directly holds all the equity interests in Yimaihutong, and all of the Registered Shareholders' equity interests in Yimaihutong or all of the assets of Yimaihutong attributable to the Registered Shareholders are transferred to Jinye Tiancheng pursuant to applicable PRC laws and regulations or (iii) Jinye Tiancheng unilaterally terminates the agreement.

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### *Loan Agreements*

Pursuant to the loan agreement dated November 6, 2013 between Jinye Tiancheng and Ms. Tian Liping and the loan agreement dated March 2, 2021 between Jinye Tiancheng and Dr. Li Zhuolin (李卓霖) (together, the “**Loan Agreements**”), Jinye Tiancheng (i) made a loan in an amount of RMB1,000,000 to Ms. Tian Liping for the capitalization of Yimaihutong and (ii) made a loan in an amount of RMB1,260,998.02 to Dr. Li Zhuolin (李卓霖) primarily for the payment of the consideration for the transfer of the equity interest in Yimaihutong in March 2021. Pursuant to the Loan Agreements, the Registered Shareholders can only repay the loans by the sale of all their equity interest in Yimaihutong to Jinye Tiancheng or its designated person. The Registered Shareholders must sell all of their equity interests in Yimaihutong to Jinye Tiancheng or its designated person and pay all of the proceeds from sale of such equity interests or the maximum amount permitted under PRC law to Jinye Tiancheng. In the event that Registered Shareholders sell their equity interests to the Jinye Tiancheng or its designated person with a price equivalent to or less than the amount of the principal, Jinye Tiancheng shall waive the repayment of the remaining amount. If the price is higher than the amount of the principal, the excess amount will be paid to Jinye Tiancheng or its designated person. The Loan Agreements do not have a term and the loans must be repaid immediately under certain circumstances, including, among others, (i) the death of the Registered Shareholders or when the Registered Shareholders become persons with limited capacity, (ii) the Registered Shareholders are suspected of criminal activities or (iii) breach of the terms and conditions of the Loan Agreements.

### *Shareholders’ Rights Entrustment Agreement*

On March 8, 2021, Jinye Tiancheng, the Registered Shareholders and Yimaihutong entered into the shareholders’ rights entrustment agreement (the “**Shareholders’ Rights Entrustment Agreement**”).

Pursuant to the Shareholders’ Rights Entrustment Agreement, the Registered Shareholders irrevocably and unconditionally agree to authorize Jinye Tiancheng (and its successors or liquidators) or a natural person designated by Jinye Tiancheng (the “**Attorney**”) to exercise all of his/her rights and powers as a shareholder of Yimaihutong (as applicable), including without limitation:

- to suggest, propose and attend shareholders’ meetings of Yimaihutong and to execute any and all meeting notices, written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to file documents with the relevant companies registry;

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- to exercise all shareholder’s rights and shareholder’s voting rights in accordance with PRC laws and the constitutional documents of Yimaihutong, including but not limited to (i) deal, manage and obtain the assets of, and obtain the income of, Yimaihutong; and (ii) the sale, transfer, pledge or disposal of any or all of the equity interests in Yimaihutong;
- to nominate or appoint the directors, supervisors, general manager and other senior management of Yimaihutong; and
- to make decisions on major matters related to Yimaihutong’s business and review and approve all relevant reports and plans.

As Jinye Tiancheng is a subsidiary of the Company, the terms of the Shareholders’ Rights Entrustment Agreement will give the Company control over all corporate decisions made by such Attorney and exercise management control over Yimaihutong.

The Shareholders’ Rights Entrustment Agreement shall become effective from signing and has an indefinite term. The Shareholders’ Rights Entrustment Agreement may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Jinye Tiancheng or its designated person(s) directly holds all the equity interests in Yimaihutong, and all of the Registered Shareholders’ equity interests in Yimaihutong or all of the assets of Yimaihutong attributable to the Registered Shareholders are transferred to Jinye Tiancheng pursuant to applicable PRC laws and regulations or (iii) Jinye Tiancheng unilaterally terminates the agreement.

### ***Equity Pledge Agreement***

On March 8, 2021, Jinye Tiancheng, the Registered Shareholders and Yimaihutong entered into equity pledge agreement (the “**Equity Pledge Agreement**”). Pursuant to the Equity Pledge Agreement, the Registered Shareholders agree to pledge (i) all of their respective equity interests in Yimaihutong to Jinye Tiancheng, and (ii) the Registered Shareholders’ present and future rights, interests, income, claims, current or future receivables and compensations related to their equity interests in Yimaihutong and dividends and other payments distributed from Yimaihutong to the Registered Shareholders from time to time, to secure performance of, among other things, their obligations under the Equity Pledge Agreement.

If Yimaihutong declares any dividend during the term of the pledge, Jinye Tiancheng is entitled to receive all dividends or other income arising from the pledged equity interests, if any. In case of any breach of obligations by any of the Registered Shareholders and Yimaihutong, Jinye

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Tiancheng, upon issuing a written notice to the Registered Shareholders, will be entitled to all remedies available in the Contractual Arrangements including but not limited to disposing of the pledged equity interests.

In addition, pursuant to the Equity Pledge Agreement, the Registered Shareholders undertake to Jinye Tiancheng, among other things, not to transfer their pledged equity interests and not to create or allow any pledge or encumbrance thereon that may affect the rights and interest of Jinye Tiancheng without its prior written consent. Yimaihutong undertakes to Jinye Tiancheng, among other things, not to consent to any transfer the pledged equity interests or to create or allow any pledge or encumbrance thereon without Jinye Tiancheng's prior written consent.

The pledge in respect of Yimaihutong takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after (i) all the contractual obligations under the relevant Contractual Arrangements have been fully performed; (ii) all the outstanding debts under the relevant Contractual Arrangements have been fully paid; (iii) Jinye Tiancheng, as permitted by the laws and regulations of the PRC, decides to purchase all the equity interest in and/or assets of Yimaihutong held by the Registered Shareholders in accordance with the Exclusive Option Agreement; and (iv) the equity interest of the Registered Shareholders has been transferred to Jinye Tiancheng or its designated person(s) in accordance with the laws and regulations of the PRC and Jinye Tiancheng or its designated person(s) can legally engage in Yimaihutong's business. We have registered the equity pledge contemplated under the Equity Pledge Agreement with the relevant PRC legal authority pursuant to PRC laws and regulations.

The Equity Pledge Agreement became effective from signing. The Equity Pledge Agreement has an indefinite term and a termination provision which stipulates that unless otherwise required by applicable PRC laws and regulations, none of the parties to the agreement (except Jinye Tiancheng) is entitled to unilaterally terminate it.

The Equity Pledge Agreement may only be terminated in the event that (i) continued performance of the obligations of the agreement will result in violation of or non-compliance with the applicable laws and regulations, the Listing Rules or the requirements of the Stock Exchange, (ii) Jinye Tiancheng or its designated person(s) directly holds all the equity interests in Yimaihutong, and all of the Registered Shareholders' equity interests in Yimaihutong or all of the assets of Yimaihutong attributable to the Registered Shareholders are transferred to Jinye Tiancheng pursuant to applicable PRC laws and regulations or (iii) Jinye Tiancheng unilaterally terminates the agreement.



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### **Spouse Undertakings**

The spouses of each of the Registered Shareholders has signed an undertaking (the “**Spouse Undertakings**”) to the effect that he/she has no right to the respective 50% equity interests in Yimaihutong held by the Registered Shareholders. Each of the Spouse Undertakings does not have a term.

Our PRC Legal Adviser is of the view that (i) the above arrangements provide protection to our Group even in the event of death or divorce of the Registered Shareholders and (ii) the death or divorce of such shareholder would not affect the validity of the Contractual Arrangements, and Jinye Tiancheng or our Company can still enforce their right under the Contractual Arrangements against the Registered Shareholders and their successors.

### **Other key terms thereunder**

#### ***Dispute Resolution***

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Beijing Arbitration Commission for arbitration, in accordance with the then effective arbitration rules.

The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of Yimaihutong or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of shares or assets) or order the winding up of Yimaihutong; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of Jinye Tiancheng or Yimaihutong are located for interim remedies or injunctive relief.

However, our PRC Legal Adviser has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Yimaihutong pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

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As a result of the above, in the event that Yimaihutong or the Registered Shareholders breach any terms of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert fully effective control over Yimaihutong and to conduct our business could be materially and adversely affected. See the section headed “Risk Factors — Risks Relating to Our Contractual Arrangements” in this prospectus for further details.

### *Succession*

As advised by our PRC Legal Adviser, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholders as if such successors were a signing party to the Contractual Arrangements. As such, any breach by the successors would be deemed to be a breach of the Contractual Arrangements. Under the PRC Civil Code, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents. In the case of a breach, Jinye Tiancheng can enforce its rights against the successors.

### *Conflicts of Interests*

Each of Registered Shareholders undertake that, during the period that the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Jinye Tiancheng or Jinye Tiancheng’s direct or indirect shareholders. If there is any conflict of interest, Jinye Tiancheng shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. Registered Shareholders will unconditionally follow the instructions of Jinye Tiancheng to take any action to eliminate such conflict of interest.

### *Loss Sharing*

Under the relevant PRC laws and regulations, none of our Company or Jinye Tiancheng is legally required to share the losses of, or provide financial support to the Consolidated Affiliated Entities. Further, the Consolidated Affiliated Entities are limited liability companies and shall be solely liable for its own debts and losses with assets and properties owned by them. In addition, given that our Group conducts certain of its business operations in the PRC through the Consolidated Affiliated Entities, which hold the requisite PRC operational licenses and approvals, and that its financial position and results of operations are consolidated into our Group’s financial statements under the applicable accounting principles, our Company’s business, financial position and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses.

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### *Liquidation*

Pursuant to the Equity Interest Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Yimaihutong shall, upon the request of JinYE Tiancheng, give the proceeds they received from liquidation as a gift to JinYE Tiancheng or its designee(s) to the extent permitted by the PRC laws.

Accordingly, in the event a winding up of Yimaihutong, JinYE Tiancheng is entitled to liquidation proceeds of Yimaihutong based on the Contractual Arrangements for the benefit of our Company's creditors and shareholders.

### *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 the section headed "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 Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements.

### **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.

### **Legality of the Contractual Arrangements**

In February and March of 2021, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted interviews with the Yinchuan Data Industrial Development Service Center, the Yinchuan Approval Service Administration, the Beijing Municipal Bureau of Culture and Tourism (北京市文化和旅遊局) and the Beijing Municipal Radio and Television Bureau (北京市廣播電視局), which have provided oral confirmations that (i) our Contractual Arrangements are commercial arrangements that would not violate relevant PRC laws and regulations, and would not be subject to any approval, consent or filing or penalty from the Yinchuan Data Industrial Development Service Center, the Yinchuan Approval Service Administration, the Beijing Municipal Bureau of Culture and Tourism and the Beijing Municipal Radio and Television Bureau;

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and (ii) the Radio and TV License and Internet Culture License held by Yimaihutong and the Medical Institution Practicing License held by Yinchuan Yimaitong will not be revoked due to the execution of the Contractual Arrangements.

In March 2021, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted an interview with the MIIT, which has provided oral confirmation that the adoption of Contractual Arrangements do not fall within the regulatory scope of the MIIT and would not be subject to any approval, consent or filing or penalty from the MIIT under the current applicable PRC laws and regulations.

In March 2021, our PRC Legal Adviser and the PRC legal adviser of the Joint Sponsors conducted a consultation with National Bureau of Statistics of China, which provided oral confirmation that our Contractual Arrangements are commercial arrangements and the adoption of Contractual Arrangements does not fall within the regulatory scope of the National Bureau of Statistics of China and would not be subject to any approval, consent or filing. The consultation was conducted in the form of telephone consultation, through the consultation telephone hotline posted on the official website of National Bureau of Statistics of China regarding the foreign-related investigation license approval.

Our PRC Legal Adviser is of the view that (i) the Yinchuan Data Industrial Development Service Center, the Yinchuan Approval Service Administration, the Beijing Municipal Bureau of Culture and Tourism, the Beijing Municipal Radio and Television Bureau, the MIIT and the National Bureau of Statistics of China are the competent government authorities for our Company's Relevant Business; (ii) based on such verbal consultations, the adoption of the Contractual Arrangements is unlikely to be challenged or subject to penalty from the Yinchuan Data Industrial Development Service Center, the Yinchuan Approval Service Administration, the Beijing Municipal Bureau of Culture and Tourism, the Beijing Municipal Radio and Television Bureau and the MIIT for any violation of relevant PRC laws and regulations.

Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- (i) each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, enforceable under applicable PRC laws and regulations and the provisions of the articles of associations of Jinye Tiancheng and Yimaihutong, except that (a) the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets or award injunctive relief and/or order the winding up of Yimaihutong, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral

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tribunal or in appropriate cases, while under PRC laws and regulations, an arbitral body has no power to grant injunctive relief or to order an entity to wind up, and the aforesaid interim remedies granted by competent courts may not be recognizable or enforceable in the PRC; and (b) the Contractual Arrangements provide that the Registered Shareholders undertake to appoint committees designated by JinYE Tiancheng as the liquidation committee upon the winding up of Yimaihutong to manage their respective assets; however, in the event of a mandatory liquidation required by PRC laws and regulations, these provisions may not be enforceable;

- (ii) no approval or authorization from the PRC governmental authorities are required for entering into and the performance of the Contractual Arrangements except that (a) the pledge of any equity interest in Yimaihutong for the benefit of JinYE Tiancheng is subject to registration requirements with the relevant governmental authority which has been duly completed; and (b) the exercise of any exclusive option rights by JinYE Tiancheng under the exclusive option agreement may subject to the approval, filing or registration requirements with the relevant authorities under the then prevailing PRC laws and regulations.

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

Based on 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 except for the relevant clauses as described in the paragraph headed “Dispute Resolution” and “Liquidation” in this section, each of the agreements under the Contractual Arrangements is enforceable under the PRC laws and regulations. Please refer to the section headed “Risk Factors — Risks Relating to Our Contractual Arrangement.”

We are aware of a Supreme People’s Court ruling (the “**Supreme People’s Court Ruling**”) made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2012 which invalidated certain contractual arrangements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against “concealing an illegitimate purpose under the guise of legitimate acts” set out in Article 52 of the PRC Contract Law (中華人民共和國合同法) and the General Principles of the PRC Civil Law (中華人民共和國民法通則). It has been further reported that these court rulings and arbitral decisions

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may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual arrangements commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC; and (ii) the incentive for the registered shareholders under such contractual arrangements to renege on their contractual obligations.

Pursuant to Article 52 of the PRC Contract Law, a contract is void, among other circumstances, where an illegitimate purpose is concealed under the guise of legitimate acts; our PRC Legal Adviser is of the view that the agreements under the Contractual Arrangements would not be deemed as “concealing illegal intentions with a lawful form” under Article 52 of the PRC Contract Law for the following reasons: (a) the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right; and (b) the purpose of the Contractual Arrangements is not to conceal illegal intentions, but to pass the economic interests received by our Consolidated Affiliated Entities to our Company.

Furthermore, the PRC Civil Code (中華人民共和國民法典) came into effect on January 1, 2021 and the PRC Contract Law and the General Principles of the PRC Civil Law were repealed simultaneously. The PRC Civil Code no longer specifies the “concealing illegal intentions with a lawful form” as the statutory circumstances of a void contract but stipulates certain circumstances which will lead to the invalidation of civil juristic acts, including but not limited to a civil juristic act performed by a person having no capacity for civil conducts, a civil juristic act performed by the actor and the counterparty based on false expression of intention, a civil juristic act violates the mandatory provisions of laws and administrative regulations, a civil juristic act violates of public order and morals, etc. The provisions on the validity of civil juristic acts also apply to the validity of contracts. Our PRC Legal Adviser is of the view that the Contractual Arrangements would not fall within the above circumstances which will lead such arrangements as invalid civil juristic act under the PRC Civil Code.

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 the section headed “Continuing Connected Transactions” of this document.

### **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 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, which came into effect on January 1, 2020. The

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Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Ventures Enterprise Law and the Wholly Foreign Invested Enterprises Law 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 Jinye Tiancheng 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 and 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 will not be affected and will continue to be legal, valid and binding on the parties with an exception, for which, see “Contractual Arrangements — Legality of the Contractual Arrangements”.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invest in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. There are possibilities that future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. Therefore, there is no guarantee that the Contractual Arrangements and 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 related to our Contractual Arrangements — Our current corporate structure and business operations may be affected by the Foreign Investment Law.”

### **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:



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- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
- (ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and
- (iv) 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 Jinye Tiancheng 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, Ms. Tian Liping and Dr. Li Zhuolin (李卓霖), 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 Listing under the following measures:

- (i) 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;
- (ii) 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;
- (iii) 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

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- (iv) 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 HKFRS 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.

Under the Shareholders' Rights Entrustment Agreement, Jinye Tiancheng assumes all rights as a shareholder and exercises control over Yimaihutong, including, among other things, (i) to suggest, propose and attend shareholders' meetings of Yimaihutong and to execute any and all meeting notices, written resolutions and meeting minutes in the name and on behalf of such shareholder; (ii) to file documents with the relevant companies registry; (iii) to exercise all shareholder's rights and shareholder's voting rights in accordance with PRC laws and the constitutional documents of Yimaihutong, including but not limited to (a) deal, manage and obtain the assets of, and obtain the income of, Yimaihutong; and (b) the sale, transfer, pledge or disposal of any or all of the equity interests in Yimaihutong; (iv) to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of Yimaihutong; and (v) to make decisions on major matters related to Yimaihutong's business and review and approve all relevant reports and plans. As a result of these agreements, our Company has obtained control of the Consolidated Affiliated Entities through Jinye Tiancheng and, under our Company's sole discretion, can receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities.

Under the Exclusive Operation Services Agreement, it was agreed that, in consideration of the services provided by Jinye Tiancheng, Yimaihutong will pay service fees to Jinye Tiancheng. The annual service fees payable are determined with the services provided. The amount and payment deadline will be determined by Jinye Tiancheng, the Registered Shareholders and Yimaihutong through arms' length negotiations after considering (i) the complexity and difficulty of the services provided by Jinye Tiancheng, (ii) the title of and time consumed by employees of Jinye Tiancheng providing the services, (iii) the contents and value of the services provided by Jinye Tiancheng, (iv) the market price of the same type of services, (v) the operation conditions of

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Yimaihutong, and (vi) the essential cost, expenses, taxes and statutory reserve or retaining funds. Accordingly, through the Exclusive Operation Services Agreement, Jinye Tiancheng has the ability, at its sole discretion, to extract substantially of the economic benefit of Yimaihutong.

In addition, under the Exclusive Operation Services Agreement, Jinye Tiancheng has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Yimaihutong as Jinye Tiancheng's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from Yimaihutong, the Registered Shareholders must immediately pay or transfer all of such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of the aforementioned Contractual Arrangements, our Company has obtained control of the Yimaihutong through Jinye Tiancheng and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities.

As there is no change in management of our business for Listing and 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 Yimaihutong and has the ability to affect those returns through its power over Yimaihutong and is considered to control Yimaihutong. Consequently, our Company regards the Consolidated Affiliated Entities as our indirect subsidiaries for accounting purpose. Accordingly, our financial results during the Track Record Period (or where the entity was established on a date later than January 1, 2018, for the period from the date of establishment to December 31, 2020) can be prepared on a consolidated basis and is presented using the carrying values of the businesses of the Consolidated Affiliated Entities for all period 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 prospectus.