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BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We primarily engage in the provision of leading dental services through dental clinics and dental hospitals in China.

As advised by our PRC Legal Advisers, according to the Negative List, medical institutions fall within the “restricted” investment category, and therefore may not be held 100% by foreign investors, and foreign investments are restricted to the form of sino-foreign joint venture. In view of the foreign investment restriction, our provision of dental medial services is subject to foreign investment restriction in accordance with the Negative List. According to the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (中外合資、合作醫療機構管理暫行辦法), which came into effect on July 1, 2000, foreign investors are allowed to partner with Chinese entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture, and the equity held by Chinese partner in the joint venture shall not be less than 30%. On January 25, 2011, the Ministry of Health (the predecessor of NHC) promulgated the Circular on the Adjustment of Approval Authority of Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (衛生部關於調整中外合資合作醫療機構審批權限的通知), according to which, health administration at the provincial level is entitled to approve the establishment of sino-foreign equity medical and/or cooperative medical institutions. On April 15, 2012, the Administrative Measures on Sino-Foreign Equity and Cooperative Medical Institutions in the Sichuan Province (四川省中外合資、合作醫療機構管理辦法) came into effect, according to which, the equity held by Chinese partner in the joint venture medical institution in Sichuan province shall not be less than 10%. Furthermore, the PRC Legal Advisers consulted officers of NHC and Beijing MOFCOM in May 2021 and June 2021, the officers confirmed that, other than medical institutions in Sichuan Province, where foreign investors are allowed to hold up to 90% equity interest in a medical institution, foreign investors in other provinces are not allowed to hold, either directly or indirectly, more than 70% equity interest in a medical institution in the PRC (the “**Foreign Ownership Restriction**”). For further details of the limitations on foreign ownership in PRC companies conducting medical services business under PRC laws and regulations, please see the section headed “Regulatory Overview—Domestic Regulations on Establishment of Foreign Invested Medical Institutions” in this document.

Our VIE Entities are Beijing Shengbin, Beijing Ruicheng, Shanghai Yazheng, Shenzhen Ruier, Shanghai Ruitai, Hangzhou Shengbin, Shanghai Shengbin, Qingdao Ruiqi, Chongqing Jinmei, Chongqing Jiuyue, Chongqing Ruitai, Chengdu Wuhou Ruitai, Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司), Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司) and their respective subsidiaries, which were established under the laws of the PRC.

In light of the Foreign Ownership Restriction, we determined that it was not viable for our Company to (i) directly or indirectly hold more than 90% equity interest in medical institutions in Sichuan province such as Chengdu Wuhou Ruitai and its subsidiaries; or (ii) directly or indirectly hold more than 70% equity interest in medical institutions of other provinces including Chongqing. As such, upon completion of the reorganization, we through the

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Contractual Arrangements indirectly hold 90% equity interest in Chengdu Wuhou Ruitai and 70% equity interest in (i) Beijing Shengbin, (ii) Beijing Ruicheng, (iii) Shanghai Yazheng, (iv) Shenzhen Ruier, (v) Shanghai Ruitai, (vi) Hangzhou Shengbin, (vii) Shanghai Shengbin, (viii) Qingdao Ruiqi, (ix) Chongqing Ruisheng (through Chongqing Jinmei), (x) Chongqing Jiuyue, (xi) Chongqing Ruitai, (xii) Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司) and (xiii) Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司); Since the nationality of Mr. Zou is Chinese Hong Kong, he is prevented from having the eligibility as the Registered Shareholder under the prevailing PRC laws and regulations, therefore the remaining equity interests of these entities are held by Shenzhen Ruijian, a company wholly-owned by Ms. ZOU Lifang (“**Ms. Zou**”) (as the Registered Shareholder), who is a PRC Citizen and the sister of our chairman Mr. ZOU Qifang. Therefore, as of the date of this document, we hold equity interest directly or indirectly in medical institutions attributed to us under 90% in Sichuan Province and 70% in other provinces. Apart from being the Registered Shareholder of Shenzhen Ruijian who entered into the Contractual Arrangements on behalf of herself and Shenzhen Ruijian with the WFOE, Ms. Zou does not have any other roles in our Group (including Shenzhen Ruijian and the VIE entities). No salaries, share awards or any other forms of benefits have been conferred on Ms. Zou in this regard. For further details, please refer to the sub-section headed “Our Contractual Arrangements” in this section.

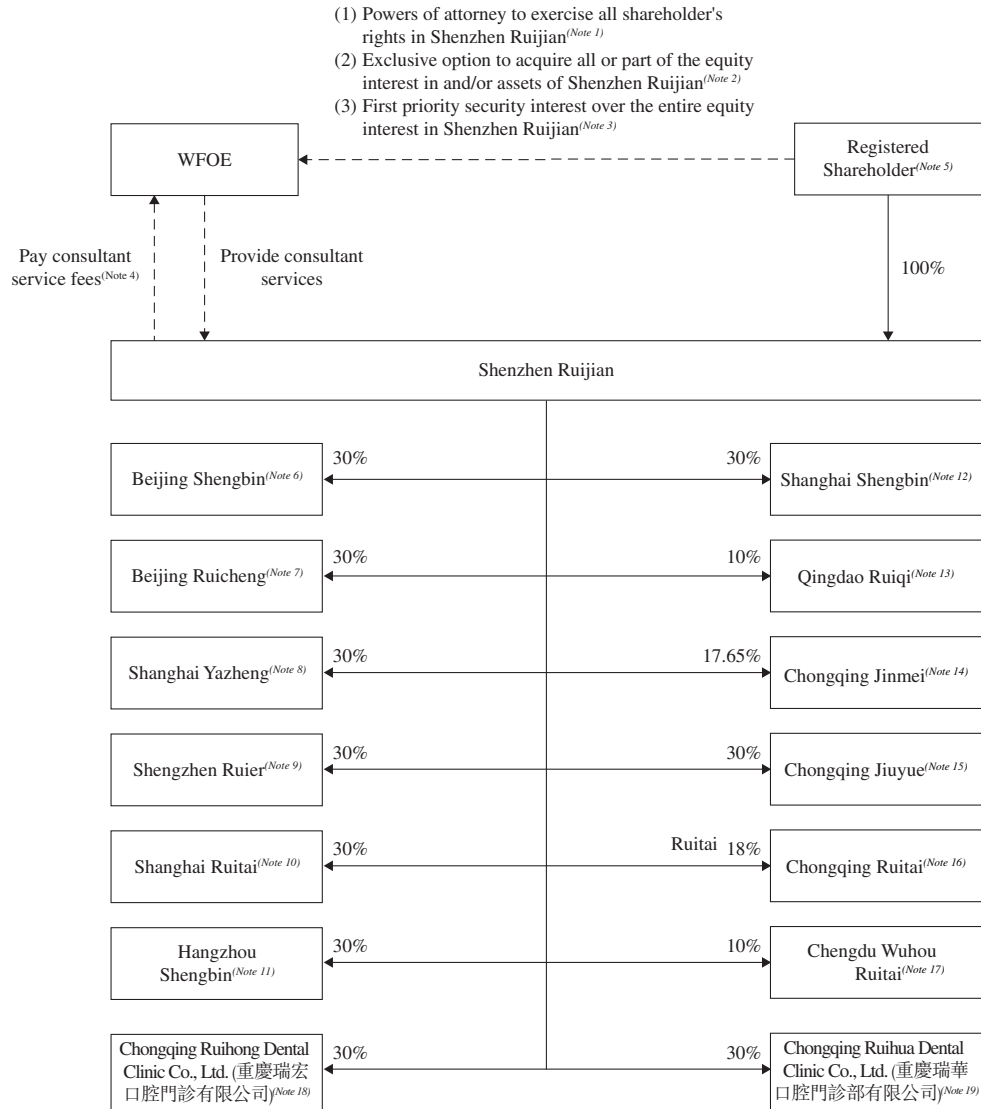
In order to comply with PRC laws and regulations, as well as to maintain maximum equity control over and to obtain all of the economic benefits derived from the operation of VIE Entities, on August 20, 2020, Beijing Ruier (as WFOE) entered into a series of contractual arrangements with the Registered Shareholder and Shenzhen Ruijian. Through the Contractual Arrangements, except that some of our VIE Entities have minority equity interest held by other Independent Third Parties, we have maintained maximum equity control over the financial and operational management and results of the VIE Entities and have become entitled to all the economic benefits derived from their operations. Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Operation Services Agreements (as defined below) with the WFOE, our VIE Entities will enjoy better economic and technical support from us, as well as a better market reputation after the [REDACTED]; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

We believe that the Contractual Arrangements are narrowly tailored as they are used to enable our Group to conduct businesses in industries that are subject to foreign investment restriction in the PRC. In the event that MOFCOM and/or other relevant government authorities promulgate any measures for the administration of foreign-invested enterprises engaging in operation of medical institutions, depending on the maximum percentage of equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the VIE Entities as soon as practicable and to the extent permissible; and if there is no prescribed limit on the percentage of equity interest permitted to be held by foreign investors, we will fully unwind and terminate the Contractual Arrangements and directly or indirectly hold 100% equity interests in our VIE Entities (except for those that are not wholly owned or controlled by us).

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



Notes:

- (1) Please refer to “—Entrustment Agreement and Powers of Attorney” below for details.
- (2) Please refer to “—Exclusive Option Agreement” below for details.
- (3) Please refer to “—Equity Pledge Agreement” below for details.
- (4) Please refer to “—Exclusive Operation Services Agreement” below for details.
- (5) The Registered Shareholder is Ms. Zou Lifang, who is a PRC citizen and the sister of our founder Mr. ZOU Qifang. Ms. Zou holds 100% interest of Shenzhen Ruijian.

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- (6) The remaining 70% interest of Beijing Shengbin was held by Beijing Ruisheng, a wholly-owned subsidiary of the WFOE.
- (7) The remaining 70% interest of Beijing Ruicheng was held by Beijing Ruisheng.
- (8) The remaining 70% interest of Shanghai Yazheng was held by Shanghai Ruicheng, a wholly-owned subsidiary of the WFOE.
- (9) The remaining 70% interest of Shenzhen Ruier was held by the WFOE.
- (10) The remaining 70% interest of Shanghai Ruitai was held by Shanghai Ruicheng.
- (11) The remaining 70% interest of Hangzhou Shengbin was held by Shanghai Ruicheng.
- (12) The remaining 70% interest of Shanghai Shengbin was held by Shanghai Ruicheng.
- (13) The remaining 70% and 20% interest of Qingdao Ruiqi was held by Beijing Ruisheng and Chengdu Ruibowen Hospital Management Center LLP (成都瑞勃文醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. QU Bo and Mr. HU Yunfan, who are senior management of the Company.
- (14) The remaining 82.35% interest of Chongqing Jinmei was held by the WFOE.
- (15) The remaining 70% interest of Chongqing Jiuyue was held by Chongqing Ruijing, a wholly-owned subsidiary of the WFOE.
- (16) The remaining 70% and 12% interest of Chongqing Ruitai was held by Chongqing Ruijing and Chongqing Ruibang Xingtai Hospital Management Center LLP (重慶瑞邦興泰醫院管理中心(普通合夥)), a limited partnership set up by some of our employees, including Mr. HU Xing, who is our senior management.
- (17) The remaining 90% interest of Chengdu Wuhou Ruitai was held by Chongqing Ruijing.
- (18) The remaining 70% interest of Chongqing Ruihong Dental Clinic Co., Ltd. (重慶瑞宏口腔門診有限公司) was held by Chongqing Ruijing.
- (19) The remaining 70% interest of Chongqing Ruihua Dental Clinic Co., Ltd. (重慶瑞華口腔門診部有限公司) was held by Chongqing Ruijing.

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 Operation Services Agreement

Beijing Ruier, the Registered Shareholder, Shenzhen Ruijian and subsidiaries directly held by Shenzhen Ruijian entered into an exclusive operation services agreement on August 20, 2020 (the “**Exclusive Operation Services Agreement**”), pursuant to which, *inter alia*, Shenzhen Ruijian agreed to engage Beijing Ruier as the exclusive operation service consultant and service provider in exchange for a service fee.

Under the Exclusive Operation Services Agreements, the services to be provided include but are not limited to (i) formulation and implementation of plans in relation to current and future assets and business operation matters of Shenzhen Ruijian and the VIE Entities; (ii) provision of opinions, advices and management to the human resources and operations of

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Shenzhen Ruijian and the VIE Entities, including but not limited to improvement measures on employee management and continuing staff training plan; (iii) relevant technical and commercial information collection and market research, providing industry information and management decision; (iv) client referral and providing advice and decision on marketing promotion; (v) appointment of technical staff for Shenzhen Ruijian and the VIE Entities, providing overall technical operation monitoring and market strategies research; (vi) provision of opinions and advices on the corporate structure and management system of Shenzhen Ruijian and the VIE Entities; (vii) providing comprehensive solutions on medical technologies required by Shenzhen Ruijian and the VIE Entities including medical technologies management consultancy services, medical resources sharing, recruitment and training of professional staff; (viii) selection and referral of eligible supplier, quality control of medicine and medical devices; (ix) appointment of technical staff to monitor quality of medical services provided by the VIE Entities; (x) other technical services, operation maintenance, equipment supply and management consultancy services as requested by Shenzhen Ruijian and the VIE Entities from time to time to the extent permissible under the PRC laws. Beijing Ruier has proprietary rights to all the intellectual properties developed or created by itself from the performance of these services. During the term of the Exclusive Operation Service Agreement, Beijing Ruier may use the intellectual property rights owned by Shenzhen Ruijian and the VIE Entities free of charge and without any conditions. Shenzhen Ruijian and the VIE Entities may also use the intellectual property work created by Beijing Ruier in the course of provision of services in accordance with the Exclusive Operation Service Agreement.

Under the Exclusive Operation Services Agreements, the service fee shall be an amount equal to the annual distributable profits of the VIE Entities obtained by Shenzhen Ruijian, after deducting the losses from the previous financial years (if any) and the statutory reserves (if applicable), subject to the applicable PRC laws and regulations. Apart from the service fees, the VIE Entities shall reimburse all reasonable costs, payments and out-of-pocket expenses incurred by Beijing Ruier in connection with the performance of the Exclusive Operation Services Agreement and provision of services thereunder.

In addition, without the prior written consent of Beijing Ruier, during the term of the Exclusive Operation Services Agreement, the Registered Shareholder, Shenzhen Ruijian and the subsidiaries directly held by Shenzhen Ruijian shall not enter into any written or oral agreement with any third party for provision of the same or similar services as those provided thereunder. Beijing Ruier has the right to appoint any third party to provide any or all of the services, or to fulfill any of its obligations under the Exclusive Operation Services Agreement.

The Exclusive Operation Services Agreement shall be effective upon signing, and shall remain valid for three years. Subject to compliance with the Listing Rules, the Exclusive Operation Services Agreement shall be automatically renewed for a term of three years upon its expiration, unless terminated in accordance with the terms therein.

The Exclusive Operation Services Agreement can only be terminated in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to indirectly or directly hold all the equity interests in the VIE Entities as permitted by the PRC laws then in force, and upon

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duly transfer of all the equity interests or assets of the the VIE Entities directly or indirectly owned by Shenzhen Ruijian have been transferred to Beijing Ruier or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian owned by the Registered Shareholder to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (iii) Beijing Ruier unilaterally terminates the agreement, or (iv) continuing performance of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(2) Exclusive Option Agreement

On August 20, 2020, Beijing Ruier, the Registered Shareholder and Shenzhen Ruijian entered into an exclusive option agreement (the “**Exclusive Option Agreement**”).

Pursuant to the Exclusive Option Agreement, Beijing Ruier was granted an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. The Registered Shareholder and Shenzhen Ruijian agreed to refund all amount received in the transfer of equity interests or assets, as the case maybe, under the Exclusive Option Agreement to Beijing Ruier or any designee.

The Registered Shareholder, among other things, has covenanted that, without the prior written consent of Beijing Ruier:

- (i) she will not transfer or otherwise dispose or create any encumbrances on any of her equity interest in Shenzhen Ruijian;
- (ii) she will not increase, decrease or change the structure of the registered capital of Shenzhen Ruijian, and shall not approve Shenzhen Ruijian to merge, consolidate with, acquire or invest in any entity;
- (iii) she will not dispose or cause the management of Shenzhen Ruijian to dispose any material assets with a fair value above RMB500,000;
- (iv) she will not terminate or cause the management of Shenzhen Ruijian to terminate any material contracts with a value above RMB500,000, or enter into any agreements that contradicts with the material contracts that currently in force;
- (v) she will not appoint or change any director, supervisor or any other management personnel of Shenzhen Ruijian that should be appointed by the Registered Shareholder;

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- (vi) she will not cause or permit the distribution of any distributable profits and dividends;
- (vii) she will not amend the articles of association of Shenzhen Ruijian;
- (viii) she will not cause or permit Shenzhen Ruijian to provide any loan or guarantee in any kind, or undertake any substantive duties other than in the ordinary course of business;
- (ix) she will not cause or permit Shenzhen Ruijian to enter into any transaction or take any action that may affect its assets, rights, duties and operation; and
- (x) she will not directly or indirectly engage, possess or acquire any business which competes or is likely to compete with the business of Shenzhen Ruijian.

According to the articles of associations of Shenzhen Ruijian and the Contractual Arrangements, any disposal of assets or termination of contracts of Shenzhen Ruijian, shall be decided by Shenzhen Ruijian, rather than its shareholder, i.e. Ms. Zou. Further, as disclosed in the sub-section headed “—(3) Entrustment Agreement and Powers of Attorney” below, pursuant to the Entrustment Agreement and the Powers of Attorney, the Registered Shareholder has irrevocably authorized the WFOE or its designated person(s), i.e. Mr. Zou, to exercise all of Ms. Zou’s rights and powers as a shareholder of Shenzhen Ruijian on behalf of her. In order to further protect Shenzhen Ruijian’s business and assets, Beijing Ruier requires Ms. Zou to further undertake not to take a series of action including but not limited to dispose of or cause the management of Shenzhen Ruijian to dispose of any material assets or terminate any material contracts. The reason for setting out the threshold of RMB500,000 in the Exclusive Option Agreement is merely to clarify the scope of material assets and material contracts. Such threshold of materiality set out in the contractual arrangements for disposal of assets and entering into or termination of contracts was determined with reference to the financial performance of our Group on a consolidated basis. In practice, all the decisions relating to the management and operation of Shenzhen Ruijian and the VIE Entities will be made by the WFOE or its designated person(s) pursuant to the Entrustment Agreement and the Powers of Attorney regardless of monetary value involved. As advised by the PRC Legal Advisers, according to the Contractual Arrangements, the aforementioned RMB500,000 threshold in the undertakings of Ms. Zou in the Exclusive Option Agreement will not in turn entitles Ms. Zou the right to dispose of any assets or terminate any contract under the amount of RMB500,000 in Shenzhen Ruijian. Based on the above, we believe that Ms. Zou’s interest over Shenzhen Ruijian and the VIE Entities does not conflict with other shareholders of our Company.

The Registered Shareholder further undertakes that, upon Beijing Ruier issuing the notice to exercise the option in accordance with the Exclusive Option Agreement, the Registered Shareholder will take all necessary actions to procure the transfer and relinquish the 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 Shenzhen Ruijian under the PRC laws, all the residual assets attributable to the Registered Shareholder in Shenzhen Ruijian shall be transferred to Beijing Ruier or its designated person(s) at the minimum purchase price

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permitted under PRC laws, and the Registered Shareholder undertakes that she shall refund all amount received in the transfer to Beijing Ruier or any designee. Each of Beijing Ruier, the Registered Shareholder and Shenzhen Ruijian confirmed and agreed that, in the event of bankruptcy, reorganization, merger or shareholder change of Shenzhen Ruijian which affects the Registered Shareholder’s equity interest in Shenzhen Ruijian, the successor of the Registered Shareholder shall be bound by the Exclusive Option Agreement, and any disposal of interests (including but not limited to equity interest, debt and asset) in Shenzhen Ruijian contained in any debt arrangement, reorganization agreement and any other legal documents shall not contradict with the Exclusive Option Agreement unless otherwise with the prior written consent of Beijing Ruier.

The Exclusive Option Agreement shall be effective upon execution and have an indefinite term unless terminated in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as permitted by the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian or all of the assets of Shenzhen Ruijian owned by the Registered Shareholder to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) Beijing Ruier unilaterally terminates the agreement, or (iii) continuing 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 other requirements of the Stock Exchange.

(3) Entrustment Agreement and Powers of Attorney

On August 20, 2020, Beijing Ruier and the Registered Shareholder entered into a shareholders’ rights entrustment agreement (the “**Entrustment Agreement**”) with Shenzhen Ruijian and executed a powers of attorney (the “**Powers of Attorney**”) in favor of Mr. ZOU Qifang (the “**Attorney**”).

Pursuant to the Entrustment Agreement and the Powers of Attorney, (i) the Registered Shareholder irrevocably authorizes Beijing Ruier or its designated person(s) (namely the Directors and liquidator or other successor who acts in the capacity of a Director but excluding any non-independent persons or persons with potential conflicts of interests) and the Attorney to exercise all of her rights and powers as a shareholder of Shenzhen Ruijian on behalf of her, including without limitation:

- to execute shareholder resolutions as her proxy;
- to exercise all shareholder’s voting rights in accordance with PRC laws and the constitutional documents of Shenzhen Ruijian, including but not limited to the appointment of legal representative, director and supervisor of Shenzhen Ruijian, amendment of the articles of association of Shenzhen Ruijian, decision on the increase and decrease of registered capital, merger, split and transfer of equity interests in Shenzhen Ruijian as her proxy; and
- to receive any residual assets of Shenzhen Ruijian as her proxy in the event of dissolution or liquidation of Shenzhen Ruijian.

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The Registered Shareholder undertakes that, the authorization granted under the Entrustment Agreement will not result in any potential conflicts of interests between her and Beijing Ruier or its designee. If any potential conflicts of interests arises, the Registered Shareholder shall protect and not harm the interests of Beijing Ruier, its subsidiaries or its indirect offshore shareholders. If there is any conflict of interests, the Registered Shareholder shall take action to eliminate such conflict of interests in a timely manner and as approved by Beijing Ruier or its designee. In the event that the Registered Shareholder refuses to take such action, Beijing Ruier is entitled to exercise the option under the Exclusive Option Agreement in accordance with the relevant PRC laws and regulations.

As Beijing Ruier is an indirect wholly-owned subsidiary of our Company, the terms of the Entrustment Agreement give our Company full control over all corporate decisions made by such attorney and exercise management control over Shenzhen Ruijian.

The Entrustment Agreement and Powers of Attorney shall be effective upon signing and have an indefinite term unless terminated in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as permitted by the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian or all of the assets of Shenzhen Ruijian owned by the Registered Shareholder to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) Beijing Ruier unilaterally terminates the agreements, or (iii) continuing performance of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

(4) Equity Pledge Agreement

On August 20, 2020, Beijing Ruier, Shenzhen Ruijian and the Registered Shareholder entered into an equity pledge agreement (the “**Equity Pledge Agreement**”), pursuant to which (i) the Registered Shareholder agrees to pledge all of her equity interest in Shenzhen Ruijian to Beijing Ruier as a security interest to guarantee the performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

If the Registered Shareholder receives any dividend from Shenzhen Ruijian during the term of the Equity Pledge Agreement, the Registered Shareholder agrees to give all the dividends she received to Beijing Ruier as a gift. In the event of any breach of obligations by Shenzhen Ruijian or the Registered Shareholder, Beijing Ruier, upon issuing a written notice to the Registered Shareholder, will be entitled to all remedies available under PPC laws and the Contractual Arrangements, including but not limited to disposing of the equity interests pledged in its favor.

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Pursuant to the Equity Pledge Agreement, the Registered Shareholder undertakes to Beijing Ruier, among others, not to transfer the equity interests pledged and not to create or permit the creation of any other pledge or encumbrance without Beijing Ruier’s prior written consent. Shenzhen Ruijian further undertakes to Beijing Ruier not to assist or permit any transfer of the equity interests pledged or to assist or permit the creation of any other pledge or encumbrance without Beijing Ruier’s prior written consent.

The Equity Pledge Agreement shall remain effective unless terminate in the following events: (i) if Beijing Ruier and/or its designated person(s) are able to directly hold all the equity interests in Shenzhen Ruijian as permitted by the PRC laws then in force, and upon duly transfer of all of the equity interests in Shenzhen Ruijian or all of the assets of Shenzhen Ruijian to Beijing Ruier and/or its designated person(s) pursuant to applicable PRC laws and regulations, (ii) Beijing Ruier unilaterally terminates the agreement, or (iii) continuing performance of the agreement will result in violation of or non-compliance with the applicable PRC laws and regulations, the Listing Rules or other requirements of the Stock Exchange.

We have registered the equity pledge contemplated under the Equity Pledge Agreement with the competent authority pursuant to the PRC laws and regulations.

Common terms of the Contractual Arrangements

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 and such dispute can not be resolved by the parties thereto within thirty days through negotiation, 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 conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of the Registered Shareholder and the VIE Entities (where applicable) or permanent and interlocutory 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 the Shenzhen Ruijian and the VIE Entities (where applicable); any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of registration of our Company), the PRC and the places where the principal assets of the Shenzhen Ruijian or the VIE Entities (where applicable) are located for order and execution of interim remedies or injunctive relief.

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

As a result of the above, in the event that the Registered Shareholder, Shenzhen Ruijian or the VIE Entities 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 Shenzhen Ruijian and the VIE Entities, and to conduct our business could be materially and adversely affected. See the section headed “Risk Factors—Risks Relating to Our Contractual Arrangements” for further details.

Succession

As advised by our PRC Legal Advisers, the provisions set out in the Contractual Arrangements are also binding on any successor(s) of the Registered Shareholder 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. In the case of a breach, Beijing Ruier can enforce its rights against the successors. Pursuant to the Contractual Arrangements, in the event of changes in the Registered Shareholder that may affect her shareholder’s rights in Shenzhen Ruijian, any successor(s) of the Registered Shareholder shall assume any and all rights and obligations of the Registered Shareholder under the Contractual Arrangements as if such successor was a signing party to the relevant agreements.

Our PRC Legal Adviser are of the view that the Contractual Arrangements provide sufficient protection to the Group in the event of loss of capacity, death, bankruptcy, marriage or divorce of the Registered Shareholder because the provisions set out in the Contractual Arrangements provided that in the event of loss capacity, death, bankruptcy (for enterprises), divorce, and/or other reasons may affect equity interests of Shenzhen Ruijian or the VIE Entities, the Contractual Arrangements are also binding on any successors.

Spouse Undertakings

Spouse undertaking is not applicable to the Contractual Arrangements since Ms. Zou did not have a spouse when she entered into the Contractual Arrangements. According to the Civil Code of the PRC, the premarital property of one spouse constitutes separate property of one of the spouses, therefore, the equity interests held by Ms. Zou in Shenzhen Ruijian do not fall within the scope of communal properties even if she entered into a spousal relationship subsequently. Pursuant to the Exclusive Option Agreement, Beijing Ruier was granted an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. As advised by our PRC Legal Adviser, the provisions set out in the Contractual Arrangements are also

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binding on any successor(s) of the Registered Shareholder as if such successors were a signing party to the Contractual Arrangements. Moreover, to further protect the benefit of our Company, Ms. Zou signed an undertaking on November 8, 2021, which provides that if Ms. Zou would have a spouse in the future, she will urge her spouse to sign a spousal undertaking, which, among other terms, provides that the respective interests of the Registered Shareholder in Shenzhen Ruijian do not fall within the scope of communal properties.

Conflicts of Interests

The Registered Shareholder, Shenzhen Ruijian and VIE Entities (where applicable) undertake that, as long as the Contractual Arrangements remain effective, they shall not take or omit to take any action which may lead to a conflict of interest with Beijing Ruier or its direct or indirect shareholders. If there is any conflict of interest, Beijing Ruier shall have the right to decide in its sole discretion on how to deal with such conflict of interest in accordance with the applicable PRC laws. The Registered Shareholder, Shenzhen Ruijian and the VIE Entities (where applicable) will unconditionally follow the instructions of Beijing Ruier to take any action to eliminate such conflict of interest.

In the Equity Pledge Agreement, the Registered Shareholder and Shenzhen Ruijian undertake that they shall not take or allow any action that may adversely affect the interests of the Beijing Ruier or the pledged equity under the Contractual Arrangements.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company and Beijing Ruier is legally required to share the losses of, or provide financial support to Shenzhen Ruijian and the VIE Entities. Further, Shenzhen Ruijian and the VIE 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 a substantial portion of its business operations in the PRC through Shenzhen Ruijian and the VIE 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 Shenzhen Ruijian and the VIE Entities suffer losses.

Liquidation

Pursuant to the Equity Pledge Agreement, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholder shall give the proceeds she received from liquidation as a gift to Beijing Ruier or its designee(s) to the extent permitted by PRC laws.

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Insurance

Our Company does not maintain an insurance policy 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 Shenzhen Ruijian and the VIE Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisers conducted interviews with officers of NHC and Beijing MOFCOM in respect of the Contractual Arrangements. According to the officers, (i) no approval from the respective authority is required for the execution of the Contractual Arrangements; (ii) the execution of the Contractual Arrangements does not fall into its current supervision concerning foreign investment activities; and (iii) the Contractual Arrangements do not violate the PRC Foreign Investment Law. Our PRC Legal Advisers are of the view that NHC and Beijing MOFCOM are the competent authorities to give such confirmations in respect of our investment of medical institutions in the PRC.

Our PRC Legal Advisers, following completion of reasonable due diligence steps, are of the following legal opinion:

- the parties to each of the Contractual Arrangements have full civil and legal capacity to execute each agreement under the Contractual Arrangements;
- each of the agreements under the Contractual Arrangements, taken individually and collectively, does not violate the mandatory provisions under existing PRC laws and regulations and constitutes legal, valid and binding obligations of the parties thereto, subject to the enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally, the discretion of relevant Government Agencies in exercising their authority in connection with the interpretation and implementation thereof and the application of relevant PRC Laws and policies thereto, and to general equity principles; except that (a) the Beijing Arbitration Commission has no power to grant injunctive relief, nor will it be able to order the winding-up of Shenzhen Ruijian and the VIE Entities pursuant to the current PRC laws; and (b) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;
- The agreements under the Contractual Arrangements, as confirmed by the parties thereto, were entered into for the purpose of realizing the commercial purpose of the parties and to the extent possible to avoid conflict with the existing PRC laws and regulations and the Contractual Arrangements was the reflection of their true

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intention. As such, each of the agreements under the Contractual Arrangements do not, individually or collectively, violate the mandatory provisions of the Civil Code of the PRC (《中華人民共和國民法典》) and shall not be deemed as “civil juristic act performed by the actor and the counterparty based on false expression of intention” resulting in the invalidity of the agreements under the Contractual Arrangements;

- none of the agreements under the Contractual Arrangements violates any provisions of the existing articles of association of each of Beijing Ruier, Shenzhen Ruijian and the VIE Entities that signed the agreements; and
- according to the relevant competent authorities, the execution and performance of the Contractual Arrangements do not require their approvals except that the Equity Pledge Agreements are subject to registration requirements with the local SAMR and the exercising of the exclusive options by Beijing Ruier according to the Exclusive Option Agreements shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

We have been advised by our PRC Legal Advisers, however, 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 take a view that is contrary to the above opinion of our PRC Legal Advisers. We have been further advised by our PRC Legal Advisers that if the PRC government finds that the Contractual Arrangements do not comply with PRC governmental restrictions on foreign investment in the restricted businesses, we could be subject to severe penalties, which could include:

- (a) revoking the relevant operating licenses of Beijing Ruier, Shenzhen Ruijian and the VIE Entities;
- (b) restricting or prohibiting the Contractual Arrangements;
- (c) imposing fines or other requirements with which our Company, Shenzhen Ruijian and the VIE Entities may find difficult or impossible to comply; and
- (d) requiring us, Shenzhen Ruijian and the VIE Entities to restructure the relevant ownership structure or operations.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See the section headed “Risk Factors—Risks Relating to Our Contractual Arrangements” for further details.

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 “Connected Transactions.”

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DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the FIL

On March 15, 2019, the NPC adopted the PRC Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL**”) at the closing meeting of the second session of the 13th NPC. The FIL took effect on January 1, 2020 and replaced the Law on Chinese-Foreign Equity Joint Ventures (《中外合資經營企業法》), the Law on Chinese- Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Law on Wholly Foreign-Owned Enterprises (《外資企業法》), became the legal foundation for foreign investment in the PRC. For details of the Foreign Investment Law and the Foreign Investment Law Implementing Regulations, see “Regulatory Overview—Laws and Regulations Related to Foreign Investment in the PRC”.

Impact and Potential Consequences of the FIL on the Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our VIE Entities, through which we operate our business in the PRC. The FIL stipulates four forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment. Besides, it does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. As advised by our PRC Legal Advisers, provided that no additional laws, administrative regulations, departmental rules or other regulatory documents and policies on contractual arrangements has been issued and enacted the possibility that the legal effectiveness of the Contractual Arrangements become materially adversely affected due to the coming into effect of the FIL, is relatively low.

Furthermore, the FIL 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.” Although the FIL or its Implementing Regulation does not expressly stipulate the contractual arrangements as a form of foreign investment, 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 VIE Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us that may have a material adverse effect on the trading of our Shares. Please refer to the section headed “Risk Factors—Risks Relating to Our Contractual Arrangements.”

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COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group will adopt the following measures to ensure the effective operation with the implementation and compliance of 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 on an occurrence basis;
- (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 and compliance with the Contractual Arrangements in our annual reports and interim reports to update our Shareholders and potential investors; 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 and the legal compliance of Beijing Ruier and the VIE Entities to deal with specific issues or matters arising from the Contractual Arrangements.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

On 20 August 2020, Beijing Ruier, Shenzhen Ruijian, the Registered Shareholder and each of the companies, which Shenzhen Ruijian directly holds equity interests in, entered into the Contractual Arrangements pursuant to which the Group is able to:

- (i) receive substantially all of the economic interest returns generated by Shenzhen Ruijian in consideration for the business support and consultancy services provided by Beijing Ruier;
- (ii) obtain an irrevocable, unconditional and exclusive right to purchase all or any part of the equity interests in and/or assets of Shenzhen Ruijian held at present or in the future for a consideration equivalent to the lowest price permitted under the PRC laws at the time of purchase. The Registered Shareholder and Shenzhen Ruijian agreed to refund all amount received in the transfer of equity interests or assets, as the case maybe, to Beijing Ruier;
- (iii) exercise the equity holders’ voting rights of Shenzhen Ruijian; and

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- (iv) obtain a pledge over all of nominee shareholder’s equity interest in Shenzhen Ruijian to Beijing Ruier as a security to guarantee the performance of the contractual obligations and payment of outstanding debts under the Contractual Arrangements.

As a result of the Contractual Arrangements, we considered to control Shenzhen Ruijian as it has rights to exercise power over Shenzhen Ruijian, receive variable returns from its involvement with Shenzhen Ruijian, and have the ability to affect those returns through its power over Shenzhen Ruijian. Consequently, we regarded Shenzhen Ruijian as controlled entity and consolidated the financial position and results of operations of Shenzhen Ruijian in our consolidated financial statements.