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Sipai Health Technology Co., Ltd. 思派健康科技有限公司

(A company incorporated in the Cayman Islands with limited liability)
(Stock Code: 0314)

CONTINUING CONNECTED TRANSACTIONS TERMINATION OF THE EXISTING CONTRACTUAL ARRANGEMENTS AND ENTERING INTO THE NEW CONTRACTUAL ARRANGEMENTS

References are made to the disclosure in the section headed “Contractual Arrangements” in the Prospectus in relation to the Existing Contractual Arrangements and the VIE Waiver granted by the Stock Exchange.

The Group’s online insurance brokerage service is conducted by Sipai Beijing Network and Beijing Sipai Brokerage each of which holds an ICP license as of the date of this announcement.

The Board hereby announces that, in view of the current requirements on the ownership of the operation of commercial internet information services under relevant PRC laws and regulations, for the purpose of satisfying the “narrowly tailored” requirement under the guidance letter HKEX-GL77-14 to achieve the business and operation purposes of the Company under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations, the Company will adopt the New Contractual Arrangements to replace the Existing Contractual Arrangements through steps as detailed below:

- **Shareholding adjustment of Sipai Beijing Network and the Transitional Contractual Arrangements:** each of the Individual Shareholders agreed to transfer their equity interests in Sipai Beijing Network to Mr. Li. The relevant parties terminated the Existing Contractual Arrangements and Sipai Healthcare Investment, Sipai Beijing Network, Mr. Ma and Mr. Li entered into the Transitional Contractual Arrangements having terms and conditions substantially the same as the Existing Contractual Arrangements. Upon the completion of this step on December 7, 2023, each of Mr. Ma and Mr. Li held approximately 55.38% and 44.62% equity interest in Sipai Beijing Network.

- ***Capital injection by Sipai Healthcare Investment:*** Sipai Healthcare Investment will inject capital into Sipai Beijing Network and acquired 50% of the increased registered capital of Sipai Beijing Network, and as a result, Sipai Beijing Network will be owned as to approximately 27.69%, 22.31% and 50% by Mr. Ma, Mr. Li and Sipai Healthcare Investment, respectively, after the completion of this step.
- ***Reproduction of the Existing Contractual Arrangements:*** Sipai Healthcare Investment, Sipai Beijing Network, Mr. Ma and Mr. Li will terminate the Transitional Contractual Arrangements and enter into the New Contractual Arrangements having terms and conditions substantially the same as the Existing Contractual Arrangements, through which the Company will continue to consolidate all the economic benefits generated by Sipai Beijing Network and its respective subsidiaries.

In light of the above, (i) the Existing Contractual Arrangements were terminated with effect from December 7, 2023; (ii) the Transitional Contractual Arrangements were entered into on substantially the same terms as those currently in place under the Existing Contractual Arrangements with effect from December 7, 2023; and (iii) the New Contractual Arrangements will be entered into on substantially the same terms as those currently in place under the Existing Contractual Arrangements concurrently with effect from the termination of the Transitional Contractual Arrangements.

LISTING RULES IMPLICATIONS

At the time of the listing of the Company's shares on the main board of the Stock Exchange, the Stock Exchange has granted the VIE Waiver in connection with the continuing connected transactions of the Group in the form of the Existing Contractual Arrangements, subject to certain conditions as set out therein. As disclosed in the Prospectus, the Existing Contractual Arrangements may be renewed and/or reproduced without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements.

Since the Transitional Contractual Arrangements and the New Contractual Arrangements are both reproductions of the Existing Contractual Arrangements as provided under the conditions of the VIE Waiver, the Company has sought the confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under each of the Transitional Contractual Arrangements and the New Contractual Arrangements shall continue to fall within the scope of the VIE Waiver and are exempt from (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under each of the Transitional Contractual Arrangements and the New Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under each of the Transitional Contractual Arrangements and the New Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of each of the Transitional Contractual Arrangements and the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as its shares are listed on the Stock Exchange, subject to compliance with the same conditions of the VIE Waiver.

INTRODUCTION

References are made to the disclosure in the section headed “Contractual Arrangements” in the Prospectus in relation to the Existing Contractual Arrangements and the VIE Waiver granted by the Stock Exchange.

The Group’s online insurance brokerage service is conducted by Sipai Beijing Network and Beijing Sipai Brokerage each of which holds an ICP license as of the date of this announcement.

The Board hereby announces that, in view of the current requirements on the ownership of the operation of commercial internet information services involved in the online insurance brokerage service conducted by the Group under relevant PRC laws and regulations, for the purpose of satisfying the “narrowly tailored” requirement under the guidance letter HKEX-GL77-14 to achieve the business and operation purposes of the Company under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations, the Company will adopt the New Contractual Arrangements to replace the Existing Contractual Arrangements through steps as detailed below.

Step 1: Shareholding Adjustment of Sipai Beijing Network and the Transitional Contractual Arrangements

Each of the Individual Shareholders transferred their equity interests in Sipai Beijing Network to Mr. Li on December 7, 2023 as detailed below:

Individual Shareholders	Approximate Equity Interests in Sipai Beijing Network	
	Immediately before the transfer	Immediately upon completion of the transfer
YANG Donghao	7.38%	—
LI Dayong	5.91%	—
LIU Xiujiang	5.54%	—
ZHANG Hongdan	4.43%	—
ZONG Ze	2.95%	—
LI Ran	0.74%	—
LUO Wei	0.74%	—
ZHANG Hong	0.50%	—
Mr. Li	16.44%	44.62%
Mr. Ma	55.58%	55.38%
Total	100%	100%

Relevant parties have terminated the Existing Contractual Arrangements and Sipai Healthcare Investment, Sipai Beijing Network, Mr. Ma and Mr. Li entered into the Transitional Contractual Arrangements having terms and conditions substantially the same as the Existing Contractual Arrangements.

Step 2: Capital Injection by Sipai Healthcare Investment and the New Contractual Arrangements

Sipai Healthcare Investment will inject capital into Sipai Beijing Network and acquire 50% of the increased registered capital of Sipai Beijing Network, and as a result, Sipai Beijing Network will be owned as to approximately 27.69%, 22.31% and 50% by Mr. Ma, Mr. Li and Sipai Healthcare Investment, respectively.

Relevant parties will terminate the Transitional Contractual Arrangements and Sipai Healthcare Investment, Sipai Beijing Network, Mr. Ma and Mr. Li enter into the New Contractual Arrangements having terms and conditions substantially the same as the Existing Contractual Arrangements.

As a result of the New Contractual Arrangements, the Company will be interested in 50% of equity interests in the Consolidated Affiliated Entities through Sipai Healthcare Investment's direct equity interest in Sipai Beijing Network and obtain control of the rest 50% of the equity interest in the Consolidated Affiliated Entities through Sipai Healthcare Investment's contractual rights and, at its sole discretion, is able to receive all the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows will be consolidated into the Company's financial statement as if they were subsidiaries of the Company.

The Company will make an update announcement upon the completion of step 2 above.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

As disclosed in the Prospectus, pursuant to the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021)), provision of value-added telecommunications services falls within the “restricted” category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunications services (other than electronic commerce, domestic multi-party communication, storage-forwarding and call center) shall not exceed 50%. In addition, pursuant to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), a provider of “commercial internet information services” (經營性互聯網信息服務, namely provision of information or website-design services through the internet to internet-users for a fee) is required to obtain an ICP license. As disclosed in the Prospectus, an ICP license is required for the operation of commercial internet information services involved in the online insurance brokerage service conducted by the Group and such service is subject to foreign ownership restriction.

In addition to the foreign ownership restrictions above, pursuant to the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (2016 Revision) (外商投資電信企業管理規定(2016修訂)) which has been further amended by the Order No.752 below, a “major foreign investor” (i.e., a foreign investor who contributes more than 30% of the foreign investment and is the largest investor among all the foreign investors) who invests in a value added telecommunications business in the PRC must possess prior experience in, and a proven track record of good performance of, operating value-added telecommunications businesses (the “**Qualification Requirements**”). Foreign investors that meet these requirements must obtain approvals from the MIIT which retain discretion in granting such approvals.

On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations (國務院關於修改和廢止部分行政法規的決定, the “**Order No. 752**”), which among other things, removed the Qualification Requirements with effect from May 1, 2022.

The Company discussed with its PRC legal adviser to understand the current ownership requirements in relation to the operation of commercial internet information services and recent market practice. As advised by the PRC legal adviser, in respect of the ownership requirements in relation to the ICP licenses held by relevant subsidiaries of Sipai Beijing Network, currently there is no legal impediment for Sipai Healthcare Investment to directly hold no more than 50% of the equity interest in Sipai Beijing Network.

In light of the new guidance that the Company received above, in view of the current requirements on the ownership of the operation of commercial internet information services under relevant PRC laws and regulations, the Company considered that a new VIE structure in which Sipai Healthcare Investment directly holds 50% of the equity interest in Sipai Beijing Network while Mr. Ma and Mr. Li holds the rest 27.69% and 22.31%, respectively, has become more appropriate for the purpose of satisfying the “narrowly tailored” requirement under GL77-14 to achieve its business and operation purposes under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations.

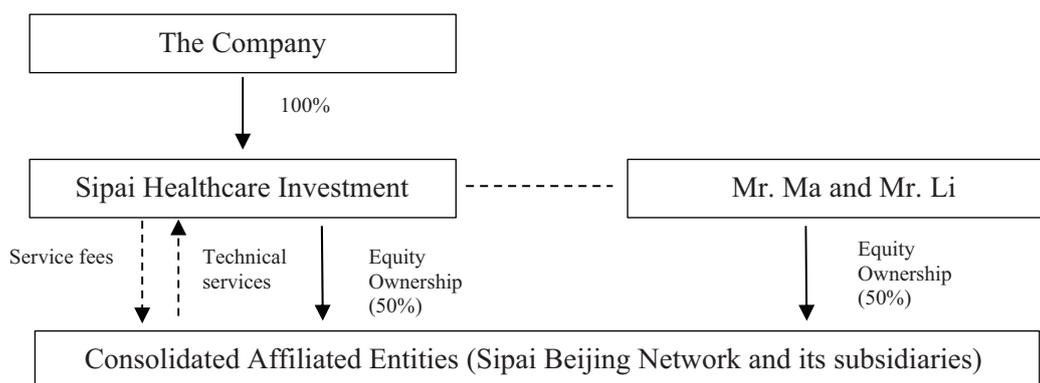
The PRC legal adviser is of the opinion that:

- (a) none of the agreements underlying each of the Transitional Contractual Arrangements and the New Contractual Arrangements will be in violation of the currently effective constitutional documents of Sipai Healthcare Investment, Sipai Beijing Network and the Consolidated Affiliated Entities;
- (b) the arrangements underlying each of the Transitional Contractual Arrangements and the New Contractual Arrangements (a) will not be in violation of mandatory PRC laws and regulations currently in force, and are legally binding and enforceable on the parties to such agreements, except that the dispute resolution provisions of each of the Transitional Contractual Arrangements and the New Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts (including the courts in Hong Kong and Cayman Islands) to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, and (b) will be subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equity principles; and
- (c) none of the agreements underlying each of the Transitional Contractual Arrangements and the New Contractual Arrangements will violate the mandatory provisions of the PRC Civil Code and other applicable mandatory provisions of PRC laws and administrative regulations or fall within any of the circumstances as stipulated in the PRC Civil Code which will lead such agreements as invalid in the PRC Civil Code.

The Company has been advised by its PRC legal adviser, 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 in the future take a view that is contrary to the above opinion of its PRC legal adviser. The Company been further advised by its PRC legal adviser that if the PRC government finds that either the Transitional Contractual Arrangements or the New Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the relevant businesses conducted by Sipai Beijing Network, the Company could be subject to penalties or be forced to relinquish its interests in those operations.

THE NEW CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the arrangement under the New Contractual Arrangements:



Notes:

- (a) “—>” denotes direct legal and beneficial ownership in the equity interest.
- (b) “-.-.->” denotes contractual relationship. Under the New Contractual Arrangements, Sipai Healthcare Investment shall provide technical services to the Consolidated Affiliated Entities, and the Consolidated Affiliated Entities shall pay service fees to Sipai Healthcare Investment directly.
- (c) “-.....” denotes the control by Sipai Healthcare Investment over the registered shareholders through (i) powers of attorney to exercise all shareholders’ rights in each of the Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in each of the Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in each of the Consolidated Affiliated Entities.

MAJOR TERMS OF THE NEW CONTRACTUAL ARRANGEMENTS

A summary of the principal terms of the New Contractual Arrangements is set out below¹:

Exclusive Business Cooperation Agreement

Sipai Healthcare Investment and Sipai Beijing Network and/or its subsidiaries (if applicable) will enter into an exclusive business cooperation agreement (the “**Exclusive Business Cooperation Agreement**”), pursuant to which Sipai Beijing Network will engage Sipai Healthcare Investment as the exclusive provider to provide Sipai Beijing Network and its subsidiaries with comprehensive technical service, technical consulting and other services, including operation and business support, technical service, network support, business consulting, financial consulting, intellectual property licensing, property lease, market consulting, product research and development, system maintenance, management consulting and other related services as requested by Sipai Beijing Network and its subsidiaries to the extent permitted under PRC laws.

¹ The principal terms of the Transitional Contractual Arrangements are substantially the same.

Without Sipai Healthcare Investment's prior written consent, Sipai Beijing Network shall not, and shall procure its subsidiaries not to, (i) receive services which are identical or similar to the services covered by the Exclusive Business Cooperation Agreement from any third party, or (ii) enter into any similar cooperation with any third party.

In consideration of the services provided by Sipai Healthcare Investment, Sipai Beijing Network shall pay services fees to Sipai Healthcare Investment, which, subject to Sipai Healthcare Investment's adjustment at its sole discretion, shall consist of all the consolidated net profit of Sipai Beijing Network and its subsidiaries (net of accumulated deficit in the previous financial years (if any), costs, expenses, taxes and payments required by the applicable laws to be reserved or withheld).

The Exclusive Business Cooperation Agreement shall become effective upon signing and remain effective until, among other things, Sipai Healthcare Investment or its designee acquire all the equity interest in and/or all assets of Sipai Beijing Network pursuant to the Exclusive Purchase Option Agreement below. Sipai Beijing Network shall not unilaterally terminate the Exclusive Business Cooperation Agreement.

Exclusive Purchase Option Agreement

Sipai Healthcare Investment, Sipai Beijing Network and/or its subsidiaries (if applicable), Mr. Ma and Mr. Li will enter into an exclusive purchase option agreement (the "**Exclusive Purchase Option Agreement**"), pursuant to which Sipai Beijing Network, Mr. Ma and Mr. Li will grant Sipai Healthcare Investment or its designee an irrevocable and exclusive right to purchase at any time and to the extent permitted by the then applicable PRC laws (i) from each of Mr. Ma and Mr. Li all or any part of their equity interests in Sipai Beijing Network and/or (ii) from Sipai Beijing Network all or any of its assets or interests in any of its assets.

Without Sipai Healthcare Investment's prior written consent, Sipai Beijing Network, Mr. Ma and Mr. Li shall not sell, transfer, pledge or otherwise dispose of the shares or assets with a value of more than RMB1 million (as the case may be) of Sipai Beijing Network.

The purchase price payable by Sipai Healthcare Investment or its designee in respect of the transfer of shares or assets shall be the nominal value or the lowest price permitted under the PRC laws, and Mr. Ma and Mr. Li shall return the purchase price in full to Sipai Healthcare Investment or its designee to the extent permitted under the PRC laws applicable then.

The Exclusive Purchase Option Agreement shall become effective upon signing and remain effective until that (i) Sipai Healthcare Investment or its designee acquire all the equity interest in and/or all assets of Sipai Beijing Network; and (ii) Sipai Healthcare Investment and its subsidiaries are permitted to carry out the business of Sipai Beijing Network under the applicable PRC laws. Sipai Beijing Network, Mr. Ma and Mr. Li shall not unilaterally terminate the Exclusive Purchase Option Agreement.

Sipai Beijing Network, Mr. Ma and Mr. Li will undertake jointly and severally, among other things, that:

- (a) without Sipai Healthcare Investment's prior written consent, they shall not supplement, alter or amend the articles of Sipai Beijing Network in any manner, increase or reduce its registered capital, or otherwise change its registered capital structure, or effect separation, dissolution or any change in the corporate form of Sipai Beijing Network;
- (b) they shall maintain the existence of Sipai Beijing Network, conduct its business and affairs prudently and efficiently in accordance with sound financial and commercial standards and practices, and procure the performance by Sipai Beijing Network of its obligations under the Exclusive Business Cooperation Agreement;
- (c) without Sipai Healthcare Investment's prior written consent, they shall not sell, transfer, pledge or otherwise dispose of their legal interest in any of Sipai Beijing Network's assets (tangible or intangible), business or income of more than RMB1 million, or allow the encumbrance of any security interest on them, at any time from the date of the Exclusive Purchase Option Agreement;
- (d) unless required by PRC laws, without the written consent of Sipai Healthcare Investment, Sipai Beijing Network shall not be dissolved or liquidated. Following a statutory liquidation, Mr. Ma and Mr. Li shall pay to Sipai Healthcare Investment in full any residual value they receive or procure such payment. Where such payment is prohibited by PRC laws, Mr. Ma and Mr. Li shall pay such income to Sipai Healthcare Investment or Sipai Healthcare Investment's designee to the extent permitted by PRC laws;
- (e) without Sipai Healthcare Investment's prior written consent, they shall not incur, succeed to, guarantee or permit to exist any indebtedness other than (i) indebtedness incurred in the ordinary course of business and not by way of a loan; and (ii) indebtedness which has been disclosed to and agreed in writing by Sipai Healthcare Investment;
- (f) they shall operate all of Sipai Beijing Network's business in the ordinary course of business so as to maintain the value of Sipai Beijing Network's assets and not to engage in any act/omission which might adversely affect Sipai Beijing Network's business and the value of its assets; and the board of directors of Sipai Healthcare Investment (or in the absence of the board of directors, the executive director(s), same as below) has the authority to supervise and assess whether it has control over the assets of Sipai Beijing Network; if Sipai Healthcare Investment's board of directors believes that the operations of Sipai Beijing Network affect the value of Sipai Beijing Network's assets or affect its control over the assets of Sipai Beijing Network, Sipai Healthcare Investment will engage legal counsel or other professionals to address such issues;

- (g) without Sipai Healthcare Investment's prior written consent, they shall not procure Sipai Beijing Network to enter into any material contract, except for contracts entered into in the ordinary course of business of Sipai Beijing Network and contracts between Sipai Beijing Network and Sipai Healthcare Investment's overseas parent company or a subsidiary directly or indirectly controlled by Sipai Healthcare Investment's overseas parent company (for the purpose of this paragraph, a contract with a value of more than RMB1 million is considered a material contract);
- (h) without Sipai Healthcare Investment's prior written consent, they shall not procure Sipai Beijing Network to provide loans, financial assistance or security of any kind such as mortgages or pledges to any person or allow a third party to create a charge or pledge over Sipai Beijing Network's assets or equity;
- (i) they shall provide Sipai Healthcare Investment with all information regarding the operations and financial condition of Sipai Beijing Network on a regular basis upon Sipai Healthcare Investment's request;
- (j) they shall, at the request of Sipai Healthcare Investment, purchase and hold insurance from an insurance company acceptable to Sipai Healthcare Investment in respect of the assets and businesses of Sipai Beijing Network;
- (k) they shall not cause or permit Sipai Beijing Network to merge, form a partnership or joint venture or alliance with, or acquire or invest in, any person without the prior written consent of Sipai Healthcare Investment;
- (l) they shall promptly notify Sipai Healthcare Investment of any litigation, arbitration or administrative proceedings that has occurred or may occur in relation to the assets, business or income of Sipai Beijing Network and take all necessary measures as may be reasonably requested by Sipai Healthcare Investment;
- (m) they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or defend against all claims to the extent necessary and appropriate to maintain Sipai Beijing Network's ownership of all of its assets;
- (n) they shall ensure that Sipai Beijing Network shall not pay dividends in any form to its shareholders without the prior written consent of Sipai Healthcare Investment, but upon written request of Sipai Healthcare Investment, Sipai Beijing Network shall immediately distribute all distributable profits to its shareholders;
- (o) at the request of Sipai Healthcare Investment, they shall appoint a party designated by Sipai Healthcare Investment to serve as a director, supervisor and/or officer of Sipai Beijing Network, and/or remove an incumbent director, supervisor and/or officer of Sipai Beijing Network and to comply with all relevant resolutions and filing procedures; Sipai Healthcare Investment shall have the right to request Mr. Ma and Mr. Li and Sipai Beijing Network to replace such persons;

- (p) if the exercise of the right to purchase by Sipai Healthcare Investment is prevented as a result of the failure of any shareholder of Sipai Beijing Network or Sipai Beijing Network to comply with applicable tax obligations under applicable law, Sipai Healthcare Investment shall have the right to request Sipai Beijing Network or its shareholders to comply with such tax obligations or to request Sipai Beijing Network or its shareholders to pay such tax to Sipai Healthcare Investment, which shall be paid by Sipai Healthcare Investment on its behalf; and
- (q) procure that Sipai Beijing Network's subsidiaries shall, where applicable, comply with the undertakings herein as if such subsidiaries were Sipai Beijing Network itself.

Equity Pledge Agreement

Sipai Healthcare Investment, Sipai Beijing Network and/or its subsidiaries (if applicable), Mr. Ma and Mr. Li will enter into an equity pledge agreement (the “**Equity Pledge Agreement**”), pursuant to which, Mr. Ma and Mr. Li will pledge all of their respective equity interests in Sipai Beijing Network to Sipai Healthcare Investment as the first priority security to guarantee performance of their contractual obligations under the New Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the New Contractual Arrangements.

Without Sipai Healthcare Investment's prior written consent, Mr. Ma and Mr. Li shall not transfer or otherwise dispose of all or part of the pledged shares.

Upon the occurrence of an event of default (as defined in the Equity Pledge Agreement), unless it is successfully resolved to Sipai Healthcare Investment's satisfaction within 30 days upon being notified by Sipai Healthcare Investment, Sipai Healthcare Investment may exercise its right of pledge at any time, including (i) requesting Mr. Ma and Mr. Li or Sipai Beijing Network to pay Sipai Healthcare Investment any due payments, debt or any other payment under the Exclusive Business Cooperation Agreement and/or any loan, or (ii) dispose the pledged equity interests in accordance with the Equity Pledge Agreement or otherwise as permitted under PRC laws, including selling the pledged equity interests at discount or by way of auction. Mr. Ma and Mr. Li have agreed to irrevocably waive their pre-emptive right as existing shareholders when Sipai Healthcare Investment exercises such right of pledge.

The Equity Pledge Agreement shall become effective upon signing and remain effective until, among other things, (i) all obligations of Sipai Beijing Network, Mr. Ma and Mr. Li are satisfied in full, or (ii) Sipai Healthcare Investment or its designee acquire all the equity interest in and/or all assets of Sipai Beijing Network, and Sipai Healthcare Investment and its designees are permitted to carry out the business of Sipai Beijing Network under the applicable PRC laws.

The Company will register the pledge of all the equity interests in Sipai Beijing Network with the relevant administration for market regulation of the PRC.

Voting Proxy Agreement

Sipai Healthcare Investment, Sipai Beijing Network and/or its subsidiaries (if applicable), Mr. Ma and Mr. Li will enter into a voting proxy agreement (the “**Voting Proxy Agreement**”), pursuant to which Mr. Ma and Mr. Li will appoint Sipai Healthcare Investment and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Sipai Beijing Network and to exercise all of their rights as shareholders of Sipai Beijing Network, including, among other things:

- (a) to propose, convene and attend meetings of shareholders of Sipai Beijing Network as Mr. Ma and Mr. Li’ agent in accordance with Sipai Beijing Network’s articles of association;
- (b) to exercise all shareholders’ rights which Mr. Ma and Mr. Li are entitled to in accordance with the PRC laws and the articles of association of Sipai Beijing Network including the right to vote, to dividends, to sell or transfer or pledge or dispose of part or all of the equity interests in Sipai Beijing Network;
- (c) to act as the legal representative of Sipai Beijing Network, or as the chairman, executive director or manager of Sipai Beijing Network and/or to designate, appoint or remove the legal representatives (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Sipai Beijing Network on behalf of Mr. Ma and Mr. Li, and to bring lawsuits or take other legal actions against a director, supervisor or senior management of Sipai Beijing Network when the actions of such director, supervisor or senior management are prejudicial to the interests of Sipai Beijing Network or its shareholders;
- (d) to sign documents (including minutes of shareholders’ meetings) and to file documents with the relevant company registry;
- (e) to exercise voting rights on behalf of Mr. Ma and Mr. Li in the event of insolvency, liquidation, dissolution or termination of Sipai Beijing Network;
- (f) to distribute the remaining assets after bankruptcy, liquidation, dissolution or termination of Sipai Beijing Network;
- (g) to determine the filing and registration of documents relating to Sipai Beijing Network with governmental authorities; and
- (h) to exercise any shareholder’s right to deal with the assets of Sipai Beijing Network in accordance with applicable laws, including the right to manage Sipai Beijing Network’s business in relation to its assets, the right to access Sipai Beijing Network’s income and the right to acquire Sipai Beijing Network’s assets.

Without Sipai Healthcare Investment’s prior written consent, Mr. Ma and Mr. Li shall not exercise any rights attached to the shares of Sipai Beijing Network which have been authorized to Sipai Healthcare Investment or its designee.

As a result of the Voting Proxy Agreement, the Company, through Sipai Healthcare Investment, will be able to exercise management control over the activities that most significantly impact the economic performance of Sipai Beijing Network and its subsidiaries.

The Voting Proxy Agreement shall become effective upon signing and remain effective until, among other things, (i) Sipai Healthcare Investment or its designees acquire all the equity interest in and/or all assets of Sipai Beijing Network, and (ii) Sipai Healthcare Investment and its designees are permitted to carry out the business of Sipai Beijing Network under the applicable PRC laws.

Other Aspects of the New Contractual Arrangements

Spouse Consents

The spouse of each of Mr. Ma and Mr. Li will execute a consent letter, pursuant to which she will unconditionally and irrevocably agree to the execution of the Exclusive Purchase Option Agreement, the Equity Pledge Agreement and the Voting Proxy Agreement, and has no objection regarding the New Contractual Arrangements.

The spouse of each of Mr. Ma and Mr. Li further agrees that (i) any equity interests held by her spouse as a registered shareholder in Sipai Beijing Network are not their communal properties; (ii) she does not have any interest in the equity interests of Sipai Beijing Network, and will not raise any claim on the equity interest of Sipai Beijing Network; (iii) she will not take any measures that are in conflict with the New Contractual Arrangements; and (iv) she will take any necessary measures to procure the performance of the relevant agreements underlying the New Contractual Arrangements.

Dispute Resolution

In the event of any dispute under the New Contractual Arrangements:

- (a) all disputes shall first be settled through friendly negotiation;
- (b) if such disputes fail to be resolved by negotiations within 30 days, any party shall have the right to submit the disputes to China International Economic and Trade Arbitration Commission, and such disputes shall be arbitrated in accordance with the then prevailing arbitration rules in Beijing, China, and such arbitration award shall be final and binding on all parties to the arbitration;
- (c) prior to the final award, the arbitral tribunal shall have the power to grant Sipai Healthcare Investment with appropriate legal remedies, including relevant remedies over the shares or assets of Sipai Beijing Network, injunction relief, and winding-up order of Sipai Beijing Network; and

- (d) competent courts (including the courts of China, Hong Kong, the Cayman Islands and the other applicable jurisdictions) have the power to grant interim remedies (such as injunctive relief) before the formation of the arbitral tribunal or in other appropriate cases.

The PRC legal adviser has, however, advised that (i) the dispute resolution provisions above may not be enforceable under the PRC laws. For instance, an arbitral tribunal has no power to grant such injunctive relief or winding-up order under current PRC laws; and (ii) interim remedies granted by overseas courts such as courts of 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 any of the Consolidated Affiliated Entities or Mr. Ma or Mr. Li breach any of the New Contractual Arrangements, the Company may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the New Consolidated Affiliated Entities and conduct its business could be materially and adversely affected.

Succession

Each of the agreements under the New Contractual Arrangements will be binding on the successors of Mr. Ma and Mr. Li. Under the succession laws of China, the statutory successors include one's spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the New Contractual Arrangements. In case of a breach, Sipai Healthcare Investment can enforce its rights against the successors.

In the event of death, incapacity, divorce, succession, bankruptcy or other circumstances which may affect Mr. Ma or Mr. Li's holding of Sipai Beijing Network's equity interests, such Mr. Ma or Mr. Li's successor, transferee, creditor or any other person who obtains Sipai Beijing Network's equity interests or related rights due to such event (i) shall not interfere with or impede the performance of the agreements under the New Contractual Arrangements, and (ii) shall be regarded a signing party of, and be bound by, those agreements.

Under each of the spouse consents, the spouse of each of Mr. Ma or Mr. Li will confirm that in the event of the death of her spouse, incapacity, divorce, succession, bankruptcy or other circumstances which may affect Mr. Ma or Mr. Li's holding of Sipai Beijing Network's equity interests, her spouse shall have the absolute rights to independently dispose the shares of Sipai Beijing Network and that she shall not take any action that may interfere with or impede the performance of the agreements under the New Contractual Arrangements by her spouse.

Conflicts of Interest

As Mr. Ma and Mr. Li are also the Directors, the Company will implement measures to protect against the potential conflicts of interest between the Company and Mr. Ma and Mr. Li. Under the Voting Proxy Agreement, (i) in the event of any conflict of interest among Mr. Ma and Mr. Li, Sipai Beijing Network and Sipai Healthcare Investment, Mr. Ma and Mr. Li shall protect, and shall not harm the interest of Sipai Healthcare Investment and the Company; and (ii) in the event that Mr. Ma and Mr. Li also the Directors or officers, Mr. Ma and Mr. Li shall appoint Sipai Healthcare Investment or its designee (excluding Mr. Ma and Mr. Li who are also the Directors or officers) to exercise all of the rights under the Voting Proxy Agreement.

Loss Sharing

Neither the agreements under the New Contractual Arrangements nor PRC laws provide or require that the Company or Sipai Healthcare Investment be obligated to share the losses of the Consolidated Affiliated Entities or provide financial assistance to the Consolidated Affiliated Entities. Further, each of the Consolidated Affiliated Entities is a separate legal entity and shall be solely liable for its own debts and losses.

Despite the foregoing, our business, financial condition and results of operations would be adversely affected if the Consolidated Affiliated Entities suffer losses given that (i) the Group conducts businesses in the PRC through the Consolidated Affiliated Entities which hold the requisite PRC licenses and approvals, and (ii) the Consolidated Affiliated Entities' financial condition and results of operations are consolidated into the Company's financial statements under the applicable accounting principles. Therefore, the provisions in the New Contractual Arrangements will be tailored so as to limit, to the greatest extent possible, the potential adverse effect on Sipai Healthcare Investment and the Company that may from any loss suffered by the Consolidated Affiliated Entities.

Liquidation

Pursuant to the Exclusive Business Cooperation Agreements, upon winding-up of any of the Consolidated Affiliated Entities, the relevant Consolidated Affiliated Entity shall, to the extent permitted by the PRC laws, procure the persons recommended by Sipai Healthcare Investment to establish the liquidation committee of the relevant Consolidated Affiliated Entity to manage its assets.

Pursuant to the Voting Proxy Agreements, Sipai Healthcare Investment or its designee will be entitled to exercise voting rights on behalf of Mr. Ma and Mr. Li/Sipai Beijing Network upon winding-up of Sipai Beijing Network/any of the subsidiaries of Sipai Beijing Network. In the event of bankruptcy, liquidation, dissolution or termination of any of the Consolidated Affiliated Entities, the assets and the equity interest obtained by Mr. Ma and Mr. Li/Sipai Beijing Network shall be transferred to Sipai Healthcare Investment at nil consideration or the lowest price permitted under PRC laws.

Insurance

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

Confirmation of the Directors

The Directors confirm that, as of the date of this announcement, the Company had not encountered any interference or encumbrance from any PRC government authorities in operating our businesses through the Consolidated Affiliated Entities under the New Contractual Arrangements.

LEGALITY OF THE TRANSITIONAL CONTRACTUAL ARRANGEMENTS AND THE NEW CONTRACTUAL ARRANGEMENTS

Based on the above, the PRC Legal Advisor is of the opinion that the Transitional Contractual Arrangements and the New Contractual Arrangements are and will be narrowly tailored to minimize potential conflict with relevant PRC laws and regulations and that:

- (a) each of Sipai Healthcare Investment and Consolidated Affiliated Entities was duly established and validly existing under the laws of their incorporation, respectively, and each of Mr. Ma and Mr. Li is a legal person with full civil and legal capacity;
- (b) each party to the agreements underlying each of the Transitional Contractual Arrangements and the New Contractual Arrangements has the qualification and power to enter into such agreements;
- (c) none of the agreements underlying each of the Transitional Contractual Arrangements and the New Contractual Arrangements is and will be in violation of the currently effective constitutional documents of Sipai Healthcare Investment and Consolidated Affiliated Entities;
- (d) none of the agreements underlying each of the Transitional Contractual Arrangements and the New Contractual Arrangements violate and will violate the mandatory provisions of the PRC Civil Code and other applicable mandatory provisions of PRC laws and administrative regulations or fall within any of the circumstances as stipulated in the PRC Civil Code which will lead such agreements as invalid in the PRC Civil Code; and

- (e) the agreements underlying each of the Transitional Contractual Arrangement and the Contractual Arrangements (a) are not and will not be in violation of mandatory PRC laws and regulations currently in force, and are legally binding and enforceable on the parties to such agreements, except that the dispute resolution provisions of each of the Transitional Contractual Arrangements and the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of offshore courts (including the courts in Hong Kong and Cayman Islands) to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, and (b) are and will be subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors' rights generally and to general equity principles.

CONSOLIDATED FINANCIAL RESULTS OF THE CONSOLIDATED AFFILIATED ENTITIES

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although the Company does not directly or indirectly own the controlling equity interests of Consolidated Affiliated Entities, both the Transitional Contractual Arrangements and the New Contractual Arrangements will enable the Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Business Cooperation Agreement and the exclusive business cooperation agreement under the Transitional Contractual Arrangements, Sipai Beijing Network will pay service fees to Sipai Healthcare Investment in consideration of the services provided by Sipai Healthcare Investment. Such service fees, subject to Sipai Healthcare Investment's adjustment, will be equal to total consolidated net profit of Sipai Beijing Network (net of accumulated deficit of the Consolidated Affiliated Entities in the previous financial years (if any), costs, expenses, taxes and payments required by the applicable laws to be reserved or withheld). Sipai Healthcare Investment may adjust the service scope and fees at its discretion. Sipai Healthcare Investment will also have the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, Sipai Healthcare Investment will have the ability, at its sole discretion, to extract all of the economic benefit of Sipai Beijing Network through the Exclusive Business Cooperation Agreement and the exclusive business cooperation agreement under the Transitional Contractual Arrangements.

In addition, under the Exclusive Purchase Option Agreement and the Voting Proxy Agreement and the exclusive purchase option agreement and the voting proxy agreement under the Transitional Contractual Arrangements, Sipai Healthcare Investment will have absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as Sipai Healthcare Investment's prior written consent will be required before any distribution can be made. In the event that Mr. Ma and Mr. Li receive any profit distribution or dividend from the Consolidated Affiliated Entities, Mr. Ma and Mr. Li must immediately pay or transfer such amount to the Company.

As a result of the Transitional Contractual Arrangements and the New Contractual Arrangements, the Company will obtain control of the Consolidated Affiliated Entities through Sipai Healthcare Investment and, at its sole discretion, will be able to receive all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows will be consolidated into the Company's financial statements as if they were subsidiaries of the Company.

COMPLIANCE WITH THE TRANSITIONAL CONTRACTUAL ARRANGEMENTS AND NEW CONTRACTUAL ARRANGEMENTS

The Group has adopted the following measures to ensure the effective operation of it with the implementation of the Transitional Contractual Arrangements and the New Contractual Arrangements and its compliance with them:

- (a) major issues arising from the implementation and compliance with the Transitional Contractual Arrangements and the New Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board for review and discussion;
- (b) the Board will review the overall performance of and compliance with the Transitional Contractual Arrangements (if applicable) and the New Contractual Arrangements at least once a year;
- (c) the Company will disclose the overall performance of and compliance with the Transitional Contractual Arrangements (if applicable) and the New Contractual Arrangements in its annual reports; and
- (d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Transitional Contractual Arrangements and the New Contractual Arrangements, review the legal compliance of Sipai Healthcare Investment and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Transitional Contractual Arrangements and the New Contractual Arrangements.

DIRECTORS' VIEW ON THE TRANSITIONAL CONTRACTUAL ARRANGEMENTS AND THE NEW CONTRACTUAL ARRANGEMENTS

The Directors are of the view that each of the Transitional Contractual Arrangements and the New Contractual Arrangements conferring significant control and economic benefits from Sipai Beijing Network will be enforceable under the PRC laws and regulations. The Directors are also of the view that, as each of the Transitional Contractual Arrangements and the New Contractual Arrangements will have substantially the same terms and conditions as those of the Existing Contractual Arrangements and will be entered into among the same parties of the Existing Contractual Arrangements except the Individual Shareholders, each of the Transitional Contractual Arrangements and the New Contractual Arrangements will be a reproduction of the Existing Contractual Arrangements.

The Directors believe that the New Contractual Arrangements will be narrowly tailored because the New Contractual Arrangements will be only used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions and prohibitions in the PRC, and minimize the potential conflict with relevant PRC laws and regulations.

The Directors (including the independent non-executive Directors) are of the view that (i) the termination of the Existing Contractual Arrangements and the entering into of each of the Transitional Contractual Arrangements and the New Contractual Arrangements will be fundamental to the Group's legal structure and business operations, and (ii) each of the Transitional Contractual Arrangements and the New Contractual Arrangements are on normal commercial terms and will be fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Directors believe that each of the Transitional Contractual Arrangements and the New Contractual arrangements will be fair and reasonable because each of the Transitional Contractual Arrangements and the New Contractual Arrangements will be reproduced from the Existing Contractual Arrangements.

Each of Mr. Ma and Mr. Li will have a material interest in the transactions contemplated under (i) the termination of the Existing Contractual Arrangements, and (ii) each of the Transitional Contractual Arrangements and the New Contractual Arrangements, and accordingly will be abstained from voting at the meeting of the Board to approve the relevant resolutions.

RISKS AND LIMITATIONS RELATING TO THE TRANSITIONAL CONTRACTUAL ARRANGEMENTS AND THE NEW CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating the businesses of the Company in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Company could be subject to severe consequences, including the nullification of the Transitional Contractual Arrangements and the New Contractual Arrangements and the relinquishment of its interest in the Consolidated Affiliated Entities.

As advised by the PRC legal adviser, 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 governmental authorities will not in the future take the view that is contrary to the above opinions of the PRC legal adviser. The PRC legal adviser has further advised that if the PRC government finds that either the Transitional Contractual Arrangements or the New Contractual Arrangements do not comply with relevant ownership requirements, the Company may be subject to penalties, which could include:

- (a) revoking the business and operating licenses of Sipai Healthcare Investment and the Consolidated Affiliated Entities;

- (b) restricting or prohibiting related party transactions between Sipai Healthcare Investment and the Consolidated Affiliated Entities;
- (c) imposing fines or other requirements with which the Company, Sipai Healthcare Investment and the Consolidated Affiliated Entities may find it difficult or impossible to comply; and
- (d) requesting the Company, Sipai Healthcare Investment and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations.

The imposition of any of these penalties would result in a material and adverse effect on the Group's ability to conduct its business. If any of these penalties results in its inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or its failure to receive the economic benefits from the Consolidated Affiliated Entities, the Company may not be able to consolidate the Consolidated Affiliated Entities into its consolidated financial statements in accordance with IFRS.

The Company relies on the Transitional Contractual Arrangements and the New Contractual Arrangements with the Consolidated Affiliated Entities and their shareholders for a portion of its business operations, which may not be as effective as direct ownership in providing operational control.

The Company has relied and expect to continue to rely on the Transitional Contractual Arrangements and the New Contractual Arrangements with the Consolidated Affiliated Entities and its shareholders to operate part of its business. Either the Transitional Contractual Arrangements or the New Contractual Arrangements may not be as effective as direct ownership in providing us with control over the Consolidated Affiliated Entities.

If the Company had direct ownership of the Consolidated Affiliated Entities, it would be able to exercise its rights as a shareholder to effect changes in the board of directors of such entity, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the current Transitional Contractual Arrangements and the New Contractual Arrangements, the Company relies on the performance by the Consolidated Affiliated Entities and its shareholders of their obligations under the contracts to exercise control over the Consolidated Affiliated Entities. However, the shareholders of the Consolidated Affiliated Entities may not act in the best interests of the Company or may not perform its obligations under these contracts. Such risks exist throughout the period in which the Company intends to operate its business through either the Transitional Contractual Arrangements and the New Contractual Arrangements with the Consolidated Affiliated Entities. The Company may replace the shareholders of the Consolidated Affiliated Entities at any time pursuant to either the Transitional Contractual Arrangements or the New Contractual Arrangements with the Consolidated Affiliated Entities and its shareholders. However, if any dispute relating to these contracts remains unresolved, the Company will have to enforce its rights under these contracts through the operations of PRC law and courts and therefore will be subject to uncertainties in the PRC legal system. Therefore, either the Transitional Contractual Arrangements or the New Contractual Arrangements with the Consolidated Affiliated Entities may not be as effective in ensuring our control over the relevant portion of our business operations as direct ownership would be.

The ultimate shareholders of the Consolidated Affiliated Entities may have conflicts of interest with the Company.

The Company has designated individuals who are PRC nationals to be the ultimate shareholders of the Consolidated Affiliated Entities. These individuals may have conflicts of interest with us. The Company relies on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon the Directors and officers of the Company. Such duties include the duty to act bona fide in what they consider to be in the best interest of the Company as a whole and not to place them in a position in which there is a conflict between their duties to the Company and their personal interests. On the other hand, PRC laws also provide that a director or a senior manager owes a loyalty and fiduciary duty to the company in which he or she holds such position. The Company cannot assure that when conflicts arise, Mr. Ma and Mr. Li will act in the best interest of the Company or that conflicts will be resolved in our favor. These individuals may breach or cause the Consolidated Affiliated Entities to breach either the Transitional Contractual Arrangements or the New Contractual Arrangements. If the Company cannot resolve any conflicts of interest or disputes between it and these shareholders, it would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

The Transitional Contractual Arrangements and the New Contractual Arrangements may be subject to scrutiny by the PRC tax authorities.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among its PRC subsidiaries and the Consolidated Affiliated Entities do not represent an arms-length price and adjust the Consolidated Affiliated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by the Consolidated Affiliated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to the PRC variable interest entities for under-paid taxes. The results of operations of the Company may be materially and adversely affected if its tax liabilities increase or if it was found to be subject to late payment fees or other penalties.

The Company does not have any insurance which covers the risks relating to each of the Transitional Contractual Arrangements and the New Contractual Arrangements and the transactions contemplated thereunder.

The insurance of the Group does not cover the risks relating to each of the Transitional Contractual Arrangements and the New Contractual Arrangements and the transactions thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from either the Transitional Contractual Arrangements or the New Contractual Arrangements in the future, such as those affecting the enforceability of either the Transitional Contractual Arrangements or the New Contractual Arrangements and the operation of Sipai Beijing Network, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group will implement relevant internal control measures to reduce the operational risk. The Group will continue evaluating the feasibility, the cost and the benefit of insuring the transactions under each of the Transitional Contractual Arrangements and the New Contractual Arrangements.

The Group’s current corporate structure and business operations may be affected by the Foreign Investment Law.

On March 15, 2019, the National People’s Congress promulgated the Foreign Investment Law or the FIL, which has become effective on January 1, 2020 and replaced the outgoing laws regulating foreign investment in China, namely, the PRC Equity Joint Venture Law, the PRC Cooperative Joint Venture Law and the Wholly Foreign-owned Enterprise Law, as well their implementation rules and ancillary regulations, or the Outgoing FIE Laws.

Meanwhile, the Implementation Rules to the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例) came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law. However, uncertainties still exist in relation to interpretation and implementation of the FIL, especially in regard to, including, among other things, the nature of consolidated affiliated entity contractual arrangements and specific rules regulating the organization form of foreign-invested enterprises within the five-year transition period. While FIL does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council, the Company cannot assure its shareholders that future laws and regulations will not stipulate contractual arrangements as a form of foreign investment. Therefore, there can be no assurance that its control over the Consolidated Affiliated Entities through each of the Transitional Contractual Arrangements and the New Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the FIL, any other future laws, administrative regulations or provisions deem contractual arrangements as a way of foreign investment, or if any of its operations through contractual arrangements is classified in the “restricted” or “prohibited” industry, or “negative list” under the FIL, each of Transitional Contractual Arrangements and the New Contractual Arrangements may be deemed as invalid and illegal, and the Company may be required to unwind each

of the Transitional Contractual Arrangements and the New Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to each of the Transitional Contractual Arrangements and the New Contractual Arrangements, the Company may face substantial uncertainties as to whether it can complete such actions in a timely manner, or at all. Furthermore, under the FIL, foreign investors or the foreign investment enterprise should be imposed legal liabilities for failing to report investment information in accordance with the requirements. In addition, the FIL provides that foreign invested enterprises established according to the existing laws regulating foreign investment may maintain their structure and corporate governance within a five-year transition period, which means that the Company may be required to adjust the structure and corporate governance of certain of its PRC subsidiaries in such transition period.

LISTING RULES IMPLICATIONS

At the time of the listing of the Company's shares on the main board of the Stock Exchange, the Stock Exchange has granted the VIE Waiver in connection with the continuing connected transactions of the Group in the form of the Existing Contractual Arrangements, subject to certain conditions as set out therein. As disclosed in the Prospectus, the Existing Contractual Arrangements may be renewed and/or reproduced without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Existing Contractual Arrangements.

Since the Transitional Contractual Arrangements and the New Contractual Arrangements are both reproductions of the Existing Contractual Arrangements as provided under the conditions of the VIE Waiver, the Company has sought the confirmation from the Stock Exchange, and the Stock Exchange has confirmed, that the transactions contemplated under each of the Transitional Contractual Arrangements and the New Contractual Arrangements shall continue to fall within the scope of the VIE Waiver and are exempt from (i) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under each of the Transitional Contractual Arrangements and the New Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under each of the Transitional Contractual Arrangements and the New Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of each of the Transitional Contractual Arrangements and the New Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as its shares are listed on the Stock Exchange, subject to compliance with the same conditions of the VIE Waiver.

INFORMATION ABOUT THE PARTIES TO THE TRANSITIONAL CONTRACTUAL ARRANGEMENTS AND THE NEW CONTRACTUAL ARRANGEMENTS

The Company connects and delivers clear values to patients, doctors, medical institutions, pharmaceutical companies and payers across China's healthcare system through our robust technology platform and data-enabled operational capabilities. It currently runs three business lines, including specialty pharmacy business, physician research assistance, and health insurance services.

Sipai Healthcare Investment, is a limited liability company established in the PRC and wholly owned by the Company. Sipai Healthcare Investment is an investment holding company of the Group.

Sipai Beijing Network, is a limited liability company established in the PRC and one of the Consolidated Affiliated Entities. Sipai Beijing Network is principally engaged in the provision of insurance brokerage services.

Each of Mr. Ma and Mr. Li is a Director and substantial Shareholder of the Company.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise.

“Beijing Sipai Brokage”	Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派(北京)保險經紀有限公司) (formerly known as Yuantong (Beijing) Insurance Brokerage Co., Ltd. (遠通(北京)保險經紀有限公司)), a company established under the laws of the PRC on November 18, 2004 and a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Company”	Sipai Health Technology Co., Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2015, and its shares were listed on the Main Board of the Stock Exchange on December 23, 2022
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Consolidated Affiliated Entities”	Sipai Beijing Network and its subsidiaries
“Directors”	the director(s) of the Company
“Existing Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Sipai Healthcare Investment, the Consolidated Affiliated Entities and the Existing Registered Shareholders, details of which are described in the section headed “Contractual Arrangements” in the Prospectus
“Existing Registered Shareholders”	Mr. Ma, Mr. Li, LI Dayong, ZHANG Hongdan, LI Ran, LUO Wei, ZONG Ze, LIU Xiujiang, ZHANG Hong and YANG Donghao
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICP license”	the value-added telecommunications business operating license for internet information service
“Individual Shareholders”	LI Dayong, ZHANG Hongdan, LI Ran, LUO Wei, ZONG Ze, LIU Xiujiang, ZHANG Hong and YANG Donghao
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“New Contractual Arrangements”	the series of contractual arrangements to be entered into by and among Sipai Healthcare Investment, Sipai Beijing Network and Mr. Ma and Mr. Li
“Sipai Beijing Network”	Sipai (Beijing) Network Technology Co., Ltd. (思派(北京)網絡科技有限公司), a company established under the laws of the PRC on March 28, 2014 and a wholly-owned subsidiary of the Company
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the Company’s prospectus dated December 12, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the holder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning ascribed to it under the Listing Rules
“Transitional Contractual Arrangements”	the series of contractual arrangements entered into by and among Sipai Healthcare Investment, Sipai Beijing Network and Mr. Ma and Mr. Li dated December 7, 2023

“US\$”	United States dollars, the lawful currency of the United States of America
“VIE Waiver”	the waiver granted by the Stock Exchange to the Company from strict compliance with (i) the announcement, circular and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Existing Contractual Arrangements, (ii) the requirement of setting annual caps for the transactions under the Existing Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Existing Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, subject to certain conditions, details of which are disclosed in the section headed “Connected Transactions” in the Prospectus
“Sipai Healthcare Investment”	Sipai Healthcare Investment Co., Ltd. (思派健康產業投資有限公司), a company established under the laws of the PRC on March 8, 2019, a wholly-owned subsidiary of the Company
“%”	per cent

By Order of the Board
Sipai Health Technology Co., Ltd.
MA Xuguang

Chairman of the Board and Executive Director

Hong Kong, December 7, 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. MA Xuguang and Mr. LI Ji as executive directors, Mr. YAO Leiwen as non-executive director, Mr. CHANG Stanley Yi (張翊, alias張翌軒), Mr. FAN Xin, Mr. HE Haijian and Ms. HUANG Bei as independent non-executive directors.