
CONTRACTUAL ARRANGEMENTS

BACKGROUND

We conduct online insurance brokerage service (the “**Relevant Service**”) as part of our Health Insurance Services business. See “Business—Our Services—Health Insurance Services” in the prospectus. We currently operate the Relevant Service through the Consolidated Affiliated Entities as PRC laws currently restrict foreign ownership of value-added telecommunications service providers.

As a result of the restrictions imposed by PRC laws, we are unable to own or hold any direct equity interest in the Consolidated Affiliated Entities. Accordingly, the term ‘ownership’ or the relevant concept, as applied to our Company in this prospectus, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any equity interest in the Consolidated Affiliated Entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from the Consolidated Affiliated Entities, are narrowly tailored to achieve our business purpose and minimize the potential for conflict with relevant PRC laws.

PRC LAWS RESTRICTING FOREIGN OWNERSHIP OF THE RELEVANT SERVICE

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), the “**Negative List**”), 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, the “**Administrative Measures**”), 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. See “Regulatory Overview—Regulations Relating to Value-added Telecommunications Services” in this prospectus for details of limitations on foreign ownership in PRC companies conducting value-added telecommunications services.

Our online insurance brokerage service involves operation of commercial internet information services under the Administrative Measures, such as online exhibition and sales of insurance products, online information search and online claim initiation. As advised by our PRC Legal Adviser and according to the consultation with MIIT below, such commercial internet information services is a sub-category of value-added telecommunications services under the Negative List and is therefore subject to foreign ownership restrictions and an ICP license is required.

Our online insurance brokerage service is conducted by Beijing Sipai Brokerage which holds an ICP license.

Qualification Requirements Under FITE Regulations and Recent Update

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), the “**FITE Regulations**”) 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.

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The MIIT issued a Guidance on the Application Requirements for Establishing Foreign-invested Value-added Telecommunications Enterprises in the PRC (外商投資經營電信業務審批服務指南, the “**FIVATE Guidance**”). According to the FIVATE Guidance, in order to prove that it satisfies the Qualification Requirements, a foreign investor applicant is required to provide a description of the value-added telecommunications services previously provided by itself or its direct shareholder/subsidiary, supported by, among other things, (a) screenshots of websites and apps previously operated, and (b) color scanned copy of previous telecommunication business licenses issued by the relevant local authorities (unless no license is required in the relevant jurisdiction). The FIVATE Guidance does not provide any further guidance on the documents required to prove the satisfaction of the Qualification Requirements.

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. However, as advised by our PRC Legal Adviser, as of the Latest Practicable Date, no further guidance on specific requirement or regulatory procedures had been published for foreign investment in the value-added telecommunications business in the PRC in view of the removal of the Qualification Requirements.

Consultation with Regulatory Authorities

On May 17, 2021, our PRC Legal Adviser and the Joint Sponsors’ legal adviser as to PRC laws consulted an official of CBIRC Beijing Bureau (the “**CBIRC Official**”) on certain matters relating to our online insurance brokerage service (the “**CBIRC Consultation**”). The CBIRC Official has advised that:

- (i) we shall conduct our online insurance brokerage service through our self-operated online platforms pursuant to the Regulation on Internet Insurance Business (互聯網保險業務監管辦法) which took effect on February 1, 2021; and
- (ii) our online insurance brokerage service shall be also subject to the regulation of the regulatory authorities in internet industry.

On May 19, 2021, our PRC Legal Adviser and the Joint Sponsors’ legal adviser as to PRC laws consulted an official of MIIT (the “**MIIT Official**”) on certain matters relating to the Contractual Arrangements and our ICP licenses (the “**MIIT Consultation**”). Based on the MIIT Consultation and further confirmation with the MIIT,

- (i) our online insurance brokerage service is internet information service, a sub-category of value-added telecommunications services under the Administrative Measures, and we are required to obtain ICP licenses to provide those services;
- (ii) foreign investors are prohibited from holding more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services;
- (iii) if a domestic company holding an ICP license (such as Beijing Sipai Brokerage) turns into a sino-foreign equity joint venture (with foreign investors holding less than 50% of the equity interest), that company shall apply for changing its ICP license into an ICP license for sino-foreign equity joint venture;
- (iv) the application by any foreign investor for ICP licenses and the fulfillment of the Qualification Requirements are subject to substantive review by the MIIT on a case-by-case basis; in the case of our Company, even if a foreign investor fulfills the Qualification Requirements, it will be extremely difficult to obtain such approval from the MIIT; the MIIT has not approved any

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application which involves both foreign-invested insurance brokerage and foreign-invested value-added telecommunications services so far; and

- (v) overseas website and app registered by a foreign investor may be recognized as some proof of satisfying the Qualification Requirements.

As advised by our PRC Legal Adviser,

- (i) CBIRC Beijing Bureau is the regulatory authority for regulation of banking and insurance businesses headquartered in Beijing, and is the competent regulatory to advise on the matters in relation to our online insurance brokerage service; and
- (ii) MIIT is the regulatory authority for telecommunication and internet administration at the national level responsible for the examination and approval of the investment and operation of telecommunication businesses by foreign investors, and is the competent authority to advise on matters in relation to foreign investment in telecommunication and internet industry.

Based on the above and considering that no further guidance on specific requirements or regulatory procedures had been published as of the Latest Practicable Date for foreign investment in the value-added telecommunications business in the PRC despite the removal of the Qualification Requirements by Order No. 752, our Directors believe that it will be extremely difficult for us to obtain the approval from the MIIT to hold ICP licenses in the form of Sino-foreign joint ventures, and our Contractual Arrangements are narrowly tailored to enable us to achieve our business and operation purposes under the current PRC regulatory framework so as to minimize the potential conflict with relevant PRC laws and regulations. Having discussed with our Directors based on the applicable PRC laws and regulations, our PRC Legal Adviser concurs that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations, subject to further guidance on specific requirements and regulatory procedures from relevant authorities.

Steps to Comply with the Qualification Requirements before Issuance of Order No. 752

We had implemented a business plan with a view to building up a track record of overseas telecommunication business operations to comply with the Qualification Requirements before the issuance of Order No. 752. In particular, we had taken the following steps to comply with the Qualification Requirements:

- (i) we had registered a global top-level domain name www.medbankshealthtech.com outside of the PRC, and had constructed an English website to help potential overseas users to better understand our Company's services and businesses; and
- (ii) we had registered some trademarks outside of the PRC (namely **Medbanks**, **MEDBANKS** and **思派**) for the promotion of the Company's services and businesses overseas.

As of the Latest Practicable Date, the Company had incurred costs of approximately HK\$300 thousand for taking the steps mentioned above.

During the MIIT Consultation, the MIIT Official confirmed that overseas website and app registered by a foreign investor may be recognized as some proof of satisfying the Qualification Requirements. Therefore, subject to the final discretion of MIIT on whether the Group has fulfilled the Qualification Requirements, our PRC Legal Adviser has advised that the above steps are generally regarded as relevant and reasonable steps to satisfy the Qualification Requirements as we will be able to gain experience in providing value-added telecommunication services in overseas markets through those steps.

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Based on the MIIT Consultation and as advised by our PRC Legal Adviser, our Directors believe that the above steps are generally regarded as relevant and reasonable factors to satisfy the Qualification Requirements.

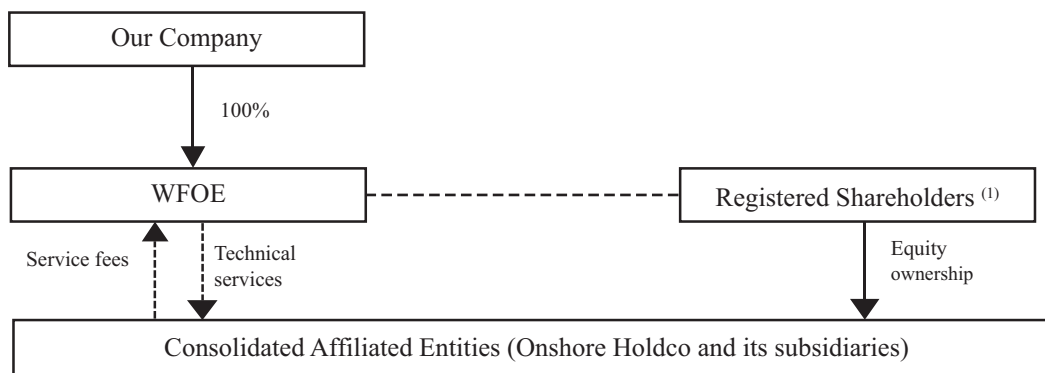
The Order No. 752 has removed the Qualification Requirements. However, as advised by our PRC Legal Adviser, (i) as of the Latest Practicable Date, no further guidance on specific requirements or regulatory procedures had been published for foreign investment in the value-added telecommunications business in the PRC in view of the removal of the Qualification Requirements, and (ii) the removal of the Qualification Requirements would not invalidate our ICP licenses or require us to adjust the Contractual Arrangements under applicable PRC laws. We will communicate with the relevant authorities on a regular basis following the Listing to keep abreast of any regulatory developments, and will adjust the Contractual Arrangements to satisfy the “narrowly tailored” principle as soon as practicable after further guidance from authorities is published with respect to the specific requirements and regulatory procedures that we need to follow to complete such adjustment.

Circumstances in Which we will Unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the Relevant Service (to the extent permissible), and we will directly hold the maximum percentage of ownership interest permissible under the applicable PRC laws if the relevant government authority grants ICP licenses to the sino-foreign entities currently held and to be established by our Company. In this event, WFOE will exercise its rights under the Exclusive Purchase Option Agreement to unwind and terminate the Contractual Arrangements to the extent permissible and we will directly operate the Relevant Service without using the Contractual Arrangements.

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



Notes:

- (1) The current Registered Shareholders of the Onshore Holdco are our Founders, the other previous individual shareholders of Lucky Seven (namely, LI Dayong, ZHANG Hongdan, LI Ran, LUO Wei and ZONG Ze) and several individual investors of our Company at early stage (namely LIU Xiujiang, ZHANG Hong and YANG Donghao). Our Founders owned approximately 71.81% share capital of the Onshore Holdco as of the Latest Practicable Date.
- (2) “→” denotes direct legal and beneficial ownership in the equity interest.
- (3) “-.->” denotes contractual relationship. Under the Contractual Arrangements, WFOE shall provide technical services to our Consolidated Affiliated Entities, and our Consolidated Affiliated Entities shall pay service fees to WFOE directly.
- (4) “-----” denotes the control by WFOE over the Registered Shareholders through (i) powers of attorney to exercise all shareholders’ rights in each of our Consolidated Affiliated Entities, (ii) exclusive options to acquire all or part of the equity interests in each of our Consolidated Affiliated Entities and (iii) equity pledges over the equity interests in each of our Consolidated Affiliated Entities.

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Summary of the Material Terms of the Contractual Arrangements

Exclusive Business Cooperation Agreements

WFOE and Onshore Holdco entered into an exclusive business cooperation agreement on May 10, 2021 (the “**Holdco Exclusive Business Cooperation Agreement**”), pursuant to which Onshore Holdco has engaged WFOE as the exclusive provider to provide Onshore Holdco 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 Onshore Holdco and its subsidiaries to the extent permitted under PRC laws.

Without the WFOE’s prior written consent, Onshore Holdco shall not, and shall procure its subsidiaries not to, (i) receive services which are identical or similar to the services covered by the Holdco 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 WFOE, Onshore Holdco shall pay services fees to WFOE, which, subject to WFOE’s adjustment at its sole discretion, shall consist of all the consolidated net profit of Onshore Holdco 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 service fees shall be paid annually by Onshore Holdco.

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

In addition, WFOE and Beijing Sipai Brokerage entered into an exclusive business cooperation agreement on September 15, 2022 (the “**Subsidiary Exclusive Business Cooperation Agreement**”, together with the Holdco Exclusive Business Cooperation Agreement, the “**Exclusive Business Cooperation Agreements**”), pursuant to which Beijing Sipai Brokerage has engaged WFOE as the exclusive provider to provide Beijing Sipai Brokerage with comprehensive services and Beijing Sipai Brokerage shall pay services fees to WFOE. The key terms of the Subsidiary Exclusive Business Cooperation Agreement are similar with those of the Holdco Exclusive Business Cooperation Agreement.

Exclusive Purchase Option Agreements

WFOE, Onshore Holdco and the Registered Shareholders entered into an exclusive purchase option agreement on May 10, 2021 (the “**Holdco Exclusive Purchase Option Agreement**”), pursuant to which Onshore Holdco and the Registered Shareholders have granted WFOE 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 the Registered Shareholders all or any part of their equity interests in Onshore Holdco and/or (ii) from Onshore Holdco all or any of its assets or interests in any of its assets.

Without the WFOE’s prior written consent, Onshore Holdco and the Registered Shareholders 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 Onshore Holdco.

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The purchase price payable by WFOE 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 the Registered Shareholders shall return the purchase price in full to WFOE or its designee to the extent permitted under the PRC laws applicable then.

The Holdco Exclusive Purchase Option Agreement shall become effective upon signing and remain effective until that (i) WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco and (ii) WFOE and its subsidiaries are permitted to carry out the business of Onshore Holdco under the applicable PRC laws. Onshore Holdco and the Registered Shareholders shall not unilaterally terminate the Holdco Exclusive Purchase Option Agreement.

Onshore Holdco and the Registered Shareholders have undertaken jointly and severally, among other things, that:

- (i) without WFOE's prior written consent, they shall not supplement, alter or amend the articles of Onshore Holdco 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 Onshore Holdco;
- (ii) they shall maintain the existence of Onshore Holdco, conduct its business and affairs prudently and efficiently in accordance with sound financial and commercial standards and practices, and procure the performance by Onshore Holdco of its obligations under the Holdco Exclusive Business Cooperation Agreement;
- (iii) without WFOE's prior written consent, they shall not sell, transfer, pledge or otherwise dispose of their legal interest in any of Onshore Holdco'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 Holdco Exclusive Purchase Option Agreement;
- (iv) unless required by PRC laws, without the written consent of WFOE, Onshore Holdco shall not be dissolved or liquidated. Following a statutory liquidation, the Registered Shareholders shall pay to WFOE in full any residual value they receive or procure such payment. Where such payment is prohibited by PRC laws, the Registered Shareholders shall pay such income to WFOE or WFOE's designee to the extent permitted by PRC laws;
- (v) without WFOE'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 WFOE;
- (vi) they shall operate all of Onshore Holdco's business in the ordinary course of business so as to maintain the value of Onshore Holdco's assets and not to engage in any act/omission which might adversely affect Onshore Holdco's business and the value of its assets; and the board of directors of WFOE (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 Onshore Holdco; if WFOE's board of directors believes that the operations of Onshore Holdco affect the value of Onshore Holdco's assets or affect its control over the assets of Onshore Holdco, WFOE will engage legal counsel or other professionals to address such issues;
- (vii) without WFOE's prior written consent, they shall not procure Onshore Holdco to enter into any material contract, except for contracts entered into in the ordinary course of business of Onshore Holdco and contracts between Onshore Holdco and WFOE's overseas parent company or a subsidiary directly or indirectly controlled by WFOE's overseas parent company (for the

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purpose of this paragraph, a contract with a value of more than RMB1 million is considered a material contract);

- (viii) without WFOE's prior written consent, they shall not procure Onshore Holdco 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 Onshore Holdco's assets or equity;
- (ix) they shall provide WFOE with all information regarding the operations and financial condition of Onshore Holdco on a regular basis upon WFOE's request;
- (x) they shall, at the request of WFOE, purchase and hold insurance from an insurance company acceptable to WFOE in respect of the assets and businesses of Onshore Holdco;
- (xi) they shall not cause or permit Onshore Holdco to merge, form a partnership or joint venture or alliance with, or acquire or invest in, any person without the prior written consent of WFOE;
- (xii) they shall promptly notify WFOE of any litigation, arbitration or administrative proceedings that has occurred or may occur in relation to the assets, business or income of Onshore Holdco and take all necessary measures as may be reasonably requested by WFOE;
- (xiii) 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 Onshore Holdco's ownership of all of its assets;
- (xiv) they shall ensure that Onshore Holdco shall not pay dividends in any form to its shareholders without the prior written consent of WFOE, but upon written request of WFOE, Onshore Holdco shall immediately distribute all distributable profits to its shareholders;
- (xv) at the request of WFOE, they shall appoint a party designated by WFOE to serve as a director, supervisor and/or officer of Onshore Holdco, and/or remove an incumbent director, supervisor and/or officer of Onshore Holdco and to comply with all relevant resolutions and filing procedures; WFOE shall have the right to request the Registered Shareholders and Onshore Holdco to replace such persons;
- (xvi) if the exercise of the right to purchase by WFOE is prevented as a result of the failure of any shareholder of Onshore Holdco or Onshore Holdco to comply with applicable tax obligations under applicable law, WFOE shall have the right to request Onshore Holdco or its shareholders to comply with such tax obligations or to request Onshore Holdco or its shareholders to pay such tax to WFOE, which shall be paid by WFOE on its behalf; and
- (xvii) procure that Onshore Holdco's subsidiaries shall, where applicable, comply with the undertakings herein as if such subsidiaries were Onshore Holdco itself.

In addition, WFOE, Onshore Holdco and Beijing Sipai Brokerage entered into an exclusive purchase option agreement on September 15, 2022 (the "**Subsidiary Exclusive Purchase Option Agreement**", together with the Holdco Exclusive Purchase Option Agreement, the "**Exclusive Purchase Option Agreements**"), pursuant to which Beijing Sipai Brokerage and Onshore Holdco have granted WFOE 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 Onshore Holdco all or any part of its equity interests in Beijing Sipai Brokerage and/or (ii) from Beijing Sipai Brokerage all or any of its assets or interests in any of its assets. The key terms of the Subsidiary Exclusive Purchase Option Agreement are similar with those of the Holdco Exclusive Purchase Option Agreement.

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Equity Pledge Agreements

WFOE, Onshore Holdco and the Registered Shareholders entered into an equity pledge agreement on May 10, 2021 (the “**Holdco Equity Pledge Agreement**”), pursuant to which, the Registered Shareholders has pledged all of their respective equity interests in Onshore Holdco to WFOE as the first priority security to guarantee performance of their contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements.

Without the WFOE’s prior written consent, the Registered Shareholders 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 Holdco Equity Pledge Agreement), unless it is successfully resolved to WFOE’s satisfaction within 30 days upon being notified by WFOE, WFOE may exercise its right of pledge at any time, including (i) requesting the Registered Shareholders or Onshore Holdco to pay WFOE any due payments, debt or any other payment under the Holdco Exclusive Business Cooperation Agreement and/or any loan, or (ii) dispose the pledged equity interests in accordance with the Holdco Equity Pledge Agreement or otherwise as permitted under PRC laws, including selling the pledged equity interests at discount or by way of auction. The Registered Shareholders have agreed to irrevocably waive their pre-emptive right as existing shareholders when WFOE exercises such right of pledge.

The Holdco Equity Pledge Agreement shall become effective upon signing and remain effective until, among other things, (i) all obligations of Onshore Holdco and the Registered Shareholders are satisfied in full, or (ii) WFOE or its designee acquire all the equity interest in and/or all assets of Onshore Holdco, and WFOE and its designees are permitted to carry out the business of Onshore Holdco under the applicable PRC laws.

We have registered the pledge of all the equity interests in Onshore Holdco with the relevant administration for market regulation of the PRC.

In addition, WFOE, Onshore Holdco and Beijing Sipai Brokerage entered into an equity pledge agreement on September 15, 2022 (the “**Subsidiary Equity Pledge Agreement**”, together with the Holdco Equity Pledge Agreement, the “**Equity Pledge Agreements**”), pursuant to which, the Onshore Holdco agrees to pledge all of its respective equity interests in Beijing Sipai Brokerage to WFOE as the first priority security to guarantee performance of its contractual obligations under the Contractual Arrangements and all liabilities, monetary debts or other payment obligations arising out of or in relation with the Contractual Arrangements. The key terms of the Subsidiary Equity Pledge Agreement are similar with those of the Holdco Equity Pledge Agreement.

Voting Proxy Agreements

WFOE, Onshore Holdco and the Registered Shareholders entered into a voting proxy agreement on May 10, 2021 (the “**Holdco Voting Proxy Agreement**”), pursuant to which the Registered Shareholders have appointed WFOE and/or its designee as their exclusive agent and attorney to act on their behalf on all matters concerning Onshore Holdco and to exercise all of their rights as shareholders of Onshore Holdco, including, among other things:

- (i) to propose, convene and attend meetings of shareholders of Onshore Holdco as the Registered Shareholders’ agent in accordance with Onshore Holdco’s articles of association;

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- (ii) to exercise all shareholders' rights which the Registered Shareholders are entitled to in accordance with the PRC laws and the articles of association of Onshore Holdco including the right to vote, to dividends, to sell or transfer or pledge or dispose of part or all of the equity interests in Onshore Holdco;
- (iii) to act as the legal representative of Onshore Holdco, or as the chairman, executive director or manager of Onshore Holdco and/or to designate, appoint or remove the legal representatives (chairman), directors, supervisors, chief executive officer (or manager) and other senior management of Onshore Holdco on behalf of the Registered Shareholders, and to bring lawsuits or take other legal actions against a director, supervisor or senior management of Onshore Holdco when the actions of such director, supervisor or senior management are prejudicial to the interests of Onshore Holdco or its shareholders;
- (iv) to sign documents (including minutes of shareholders' meetings) and to file documents with the relevant company registry;
- (v) to exercise voting rights on behalf of the Registered Shareholders in the event of insolvency, liquidation, dissolution or termination of Onshore Holdco;
- (vi) to distribute the remaining assets after bankruptcy, liquidation, dissolution or termination of Onshore Holdco;
- (vii) to determine the filing and registration of documents relating to Onshore Holdco with governmental authorities; and
- (viii) to exercise any shareholder's right to deal with the assets of Onshore Holdco in accordance with applicable laws, including the right to manage Onshore Holdco's business in relation to its assets, the right to access Onshore Holdco's income and the right to acquire Onshore Holdco's assets.

Without the WFOE's prior written consent, the Registered Shareholders shall not exercise any rights attached to the shares of Onshore Holdco which have been authorized to WFOE or its designee.

As a result of the Holdco Voting Proxy Agreement, the Company, through WFOE, is able to exercise management control over the activities that most significantly impact the economic performance of Onshore Holdco.

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

In addition, WFOE, Onshore Holdco and Beijing Sipai Brokerage entered into a voting proxy agreement on September 15, 2022 (the "**Subsidiary Voting Proxy Agreement**", together with the Holdco Voting Proxy Agreement, the "**Voting Proxy Agreements**"), pursuant to which Onshore Holdco has appointed WFOE and/or its designee as their exclusive agent and attorney to act on its behalf on all matters concerning Beijing Sipai Brokerage and to exercise all of its rights as the shareholder of Beijing Sipai Brokerage. The key terms of the Subsidiary Voting Proxy Agreement are similar with those of the Holdco Voting Proxy Agreement.

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Other Aspects of the Contractual Arrangements

Spouse Consents

The spouse of each of the individual Registered Shareholders (if applicable) has executed a consent letter, pursuant to which he/she has unconditionally and irrevocably agreed to the execution of the Holdco Exclusive Purchase Option Agreement, the Holdco Equity Pledge Agreement and the Holdco Voting Proxy Agreement, and has no objection regarding the Contractual Arrangements.

The spouse of each of the individual Registered Shareholders further agrees that (i) any equity interests held by his/her spouse as a Registered Shareholder in Onshore Holdco are not their communal properties; (ii) he/she does not have any interest in the equity interests of Onshore Holdco, and will not raise any claim on the equity interest of Onshore Holdco; (iii) he/she will not take any measures that are in conflict with the Contractual Arrangements; and (iv) he/she will take any necessary measures to procure the performance of the relevant agreements underlying the Contractual Arrangements.

Dispute Resolution

In the event of any dispute under the Contractual Arrangements:

- (i) all disputes shall first be settled through friendly negotiation;
- (ii) 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;
- (iii) prior to the final award, the arbitral tribunal shall have the power to grant WFOE with appropriate legal remedies, including relevant remedies over the shares or assets of Onshore Holdco, injunction relief, and winding-up order of Onshore Holdco; and
- (iv) 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.

Our 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 the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over the Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See “Risk Factors—Risks Relating to Our Corporate Structure and Contractual Arrangements” in this prospectus for details.

Succession

Each of the agreements under the Contractual Arrangements is binding on the successors of the Registered Shareholders. Under the succession laws of China, the statutory successors include one’s

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spouse, children, parents, brothers, sisters, paternal grandparents and maternal grandparents and any breach by such successors would be a breach of the Contractual Arrangements. In case of a breach, WFOE can enforce its rights against the successors.

In the event of death, incapacity, divorce, succession, bankruptcy or other circumstances which may affect a Registered Shareholder's holding of Onshore Holdco's equity interests, such Registered Shareholder's successor, transferee, creditor or any other person who obtains Onshore Holdco's equity interests or related rights due to such event (i) shall not interfere with or impede the performance of the agreements under the 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 the individual Registered Shareholders has confirmed that in the event of the death of his/her spouse, incapacity, divorce, succession, bankruptcy or other circumstances which may affect a Registered Shareholder's holding of Onshore Holdco's equity interests, his/her spouse shall have the absolute rights to independently dispose the shares of Onshore Holdco and that he/she shall not take any action that may interfere with or impede the performance of the agreements under the Contractual Arrangements by his/her spouse.

Conflicts of Interest

As two Registered Shareholders (namely Mr. Ma and Mr. Li) are also our Directors, we have implemented measures to protect against the potential conflicts of interest between our Company and the Registered Shareholders. Under the Holdco Voting Proxy Agreement, (i) in the event of any conflict of interest among the Registered Shareholders, Onshore Holdco and WFOE, the Registered Shareholders shall protect, and shall not harm the interest of WFOE and our Company; and (ii) in the event that the Registered Shareholders also our Directors or officers, the Registered Shareholders shall appoint WFOE or its designee (excluding the Registered Shareholders who are also our Directors or officers) to exercise all of the rights under the Holdco Voting Proxy Agreement.

Loss Sharing

Neither the agreements under the Contractual Arrangements nor PRC laws provide or require that our Company or the WFOE 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) our 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 our Company's financial statements under the applicable accounting principles. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on the WFOE and our Company 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 our Consolidated Affiliated Entities, the relevant Consolidated Affiliated Entity shall, to the extent permitted by the PRC laws, procure the persons recommended by WFOE to establish the liquidation committee of the relevant Consolidated Affiliated Entity to manage its assets.

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Pursuant to the Voting Proxy Agreements, WFOE or its designee are entitled to exercise voting rights on behalf of the Registered Shareholders/Onshore Holdco upon winding-up of Onshore Holdco/any of the subsidiaries of Onshore Holdco. In the event of bankruptcy, liquidation, dissolution or termination of any of our Consolidated Affiliated Entities, the assets and the equity interest obtained by the Registered Shareholders/Onshore Holdco shall be transferred to WFOE at nil consideration or the lowest price permitted under PRC laws.

Insurance

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

Our Confirmation

Our Directors confirm that, as of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC government authorities in operating our businesses through the Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, and after taking reasonable actions and steps including consultations with the MIIT, our PRC Legal Adviser is of the view that:

- (i) each of the WFOE and Consolidated Affiliated Entities was duly established and validly existing under the laws of their incorporation, respectively, and each of the Registered Shareholders is a legal person with full civil and legal capacity;
- (ii) each party to the agreements underlying the Contractual Arrangements has the qualification and power to enter into such agreements;
- (iii) none of the agreements underlying the Contractual Arrangements is in violation of the currently effective constitutional documents of WFOE and Consolidated Affiliated Entities;
- (iv) all internal approvals and authorizations (if required) with respect to execution and performance of each of the agreements underlying the Contractual Arrangements have been obtained from WFOE, Onshore Holdco, Consolidated Affiliated Entities and their respective shareholders;
- (v) the agreements underlying the Contractual Arrangements (a) are not 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 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 as set out in “—Other Aspects of the Contractual Arrangements—Dispute Resolution” in this section, and (b) are subject as to enforceability to applicable bankruptcy, insolvency, moratorium, reorganization and similar laws affecting creditors’ rights generally and to general equity principles;
- (vi) none of the agreements underlying the Contractual Arrangements 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
- (vii) the registration of the pledge of equity interest of Onshore Holdco under the Holdco Equity Pledge Agreement has been completed and legally taken effect.

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However, as advised by our 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 our PRC Legal Adviser. Our PRC Legal Adviser has further advised that if the PRC government finds that the Contractual Arrangements do not comply with the restrictions on foreign investment as to the Relevant Service, we may be subject to severe penalties, which could include:

- (i) revoking the business and operating licenses of WFOE and the Consolidated Affiliated Entities;
- (ii) restricting or prohibiting related party transactions between WFOE and the Consolidated Affiliated Entities;
- (iii) imposing fines or other requirements with which we, WFOE and the Consolidated Affiliated Entities may find it difficult or impossible to comply;
- (iv) requesting us, WFOE and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations; and
- (v) restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See “Risk Factors—Risks Related to Our Corporate Structure and Contractual Arrangements” in this prospectus.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

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 our Company does not directly or indirectly own the Consolidated Affiliated Entities, the Contractual Arrangements enable our Company to exercise control over the Consolidated Affiliated Entities.

Under the Exclusive Business Cooperation Agreement, Onshore Holdco shall pay service fees to WFOE in consideration of the services provided by WFOE. Such service fees, subject to WFOE’s adjustment, are equal to total consolidated net profit of Onshore Holdco (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). WFOE may adjust the service scope and fees at its discretion. WFOE also has the right to periodically receive or inspect the accounts of the Consolidated Affiliated Entities. Accordingly, WFOE has the ability, at its sole discretion, to extract all of the economic benefit of Onshore Holdco through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Purchase Option Agreement and the Voting Proxy Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of the Consolidated Affiliated Entities as WFOE’s prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from the Consolidated Affiliated Entities, the Registered Shareholders must immediately pay or transfer such amount to our Company.

As a result of the Contractual Arrangements, our Company has obtained control of the Consolidated Affiliated Entities through WFOE and, at our Company’s sole discretion, is able to receive all of the

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economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements during the Track Record Period as if they were subsidiaries of the Company. Please refer to Note 1 to the Accountants' Report in Appendix I to this prospectus for the basis of consolidating the results of the Consolidated Affiliated Entities.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

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

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the National People's Congress approved the Foreign Investment Law which became effective on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law, which replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises, becomes the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulates certain forms of foreign investment, but does not explicitly stipulate contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements.

Impact and Potential Consequences of the Foreign Investment Law

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including our Group. Considering the Foreign Investment Law and The Implementation Regulations on the Foreign Investment Law do not (i) mention concepts including "actual control" or explicitly stipulate contractual arrangements as a form of foreign investment or (ii) explicitly prohibit or restrict a foreign restricted business to be controlled by contractual arrangements in the PRC, our PRC Legal Adviser is of the view that the possibility is relatively low that the Contractual Arrangements and the legality and validity of each of the agreements underlying the Contractual Arrangements will be materially and adversely affected by the Foreign Investment Law if there are no other PRC laws, regulations, administrative rules, normative documents or regulatory practices adopted

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or implemented in the future that prohibiting or restricting the operation of or affecting the legality of contractual arrangements or stipulating or interpreting contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes “foreign investors invested in China through any other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. 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 restrictions and how the Contractual Arrangements will be handled.

Therefore, there is no guarantee that the Contractual Arrangements and the businesses of the Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors—Risks Relating to Our Corporate Structure and Contractual Arrangements—Our current corporate structure and business operations may be affected by the Foreign Investment Law” in this prospectus.