LONGFOR GROUP HOLDINGS LIMITED
龍湖集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 960)

CONNECTED TRANSACTION
ACQUISITIONS OF THE SHARES OF THE TARGET COMPANIES

Financial Advisor to the Company

THE ACQUISITIONS AND CONTRACTUAL ARRANGEMENTS

The board of directors (the "**Board**") of Longfor Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce that on 29 September 2021 (after the end of trading hours of the Stock Exchange), the subsidiaries of the Company entered into Three Equity Transfer Agreements with the Vendors, respectively:

(1) The Acquisition I: Ample Chaser (an indirect wholly-owned subsidiary of the Company) (as the Purchaser) has conditionally agreed to acquire, and GIL (as the Vendor) has conditionally agreed to sell, the Sale Shares of Baiyou Technology, representing 100% of the total share capital of Baiyou Technology, at a consideration of approximately RMB1,080.00 million; at the same time, Baiyou Technology has entered into the Contractual Arrangements with Chongqing Xiaofeixiang and the Shareholders of Chongqing Xiaofeixiang to enable Baiyou Technology to control 100% of shares of Chongqing Xiaofeixiang and obtain the economic benefits arising therefrom;

(2) The Acquisition II: Chunshan Wanshu Enterprise Management (an indirect wholly-owned subsidiary of the Company) (as the Purchaser) has conditionally agreed to acquire, and Shenzhen Qianhai Jinlinchi (as the Vendor) has conditionally agreed to sell, the Sale Shares of Chongqing Youyou, representing 70% of the total share capital of Chongqing Youyou; at the same time, Chunshan Wanshu Enterprise Management has entered into the Contractual Arrangements with Chongqing Youyou and Other Shareholders of Chongqing Youyou to enable Chunshan Wanshu Enterprise Management to control the other 30% of shares of Chongqing Youyou and obtain the economic benefits arising therefrom; the total consideration for the acquisition of the control of the aforesaid 100% shareholding in Chongqing Youyou is approximately RMB705.00 million; and

(3) The Acquisition III: East Crown (an indirect wholly-owned subsidiary of the Company) (as the Purchaser) has conditionally agreed to acquire, and Full Well (as the Vendor) has conditionally agreed to sell, the Sale Shares of Chongqing Tinggu, representing 100% of the total share capital of Chongqing Tinggu, at a consideration of approximately RMB375.00 million.

Upon the completion of the Acquisition I and entering into the Contractual Arrangements, Ample Chaser will hold 100% of shares of Baiyou Technology. Baiyou Technology will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company; through the Contractual Arrangements, Baiyou Technology will control 100% of shares of Chongqing Xiaofeixiang and obtain the economic benefits arising therefrom.

Upon the completion of the Acquisition II and entering into the Contractual Arrangements, Chunshan Wanshu Enterprise Management will hold 70% of shares of Chongqing Youyou and will control the other 30% of shares of Chongqing Youyou through the Contractual Arrangements. Chongqing Youyou will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

Upon the completion of the Acquisition III, East Crown will hold 100% of shares of Chongqing Tinggu. Chongqing Tinggu will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Madam Cai Xinyi is interested in 42.66% of shares of the Company through a trust and, as Madam Cai Xinyi is the ultimate beneficial owner of all the interests of the Vendors, GIL and Full Well, and is also interested in 70% of shares of Shenzhen Qianhai Jinlinchi, GIL, Shenzhen Qianhai Jinlinchi and Full Well are the associates of Madam Cai Xinyi. Therefore, GIL, Shenzhen Qianhai Jinlinchi and Full Well are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Three Equity Transfer Agreements and the Three Acquisitions thereunder all constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Three Acquisitions shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio (as defined in the Listing Rules) in aggregation exceeds 0.1% but is less than 5%, the Acquisitions are only subject to the announcement and reporting requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under the Listing Rules.

As the completion of the Three Acquisitions is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Three Acquisition Agreements, and the Acquisitions may or may not proceed, shareholders and potential investors should exercise caution when dealing in the securities of the Company.

I. THREE EQUITY TRANSFER AGREEMENTS

1. The Acquisition I (Baiyou Technology)

Ample Chaser (an indirect wholly-owned subsidiary of the Company) (as the Purchaser) has conditionally agreed to acquire, and GIL (as the Vendor) has conditionally agreed to sell, the Sale Shares of Baiyou Technology, representing 100% of the total share capital of Baiyou Technology, at a consideration of approximately RMB1,080.00 million. The principal terms of the relevant agreement are set out below:

Date

29 September 2021

Parties

(1) Ample Chaser, as the Purchaser; and

(2) GIL, as the Vendor

Equity Transfer

The Vendor has agreed to transfer to the Purchaser and the Purchaser has agreed to acquire from the Vendor, the Sale Shares of Baiyou Technology at a price of approximately RMB1,080.00 million.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account of the equity valuation of Baiyou Technology as at 30 June 2021 (being the valuation benchmark date) conducted by an independent valuer applying market approach in the amount of approximately RMB1,080.00 million, which is mainly based on Baiyou Technology's predicted revenue for 2021 and the enterprise value-to-sales (EV/S) multiples of comparable companies.

2. The Acquisition II (Chongqing Youyou)

Chunshan Wanshu Enterprise Management (an indirect wholly-owned subsidiary of the Company) (as the Purchaser) has conditionally agreed to acquire, and Shenzhen Qianhai Jinlinchi (as the Vendor) has conditionally agreed to sell, the Sale Shares of Chongqing Youyou, representing 70% of the total share capital of Chongqing Youyou; at the same time, Chunshan Wanshu Enterprise Management has entered into the Contractual Arrangements with Chongqing Youyou and Other Shareholders of Chongqing Youyou to enable Chunshan Wanshu Enterprise Management to control the other 30% of shares of Chongqing Youyou and obtain the economic benefits arising therefrom; the total consideration for the acquisition of the control of the aforesaid 100% shareholding in Chongqing Youyou is approximately RMB705.00 million; the principal terms of relevant agreement are set out below:

Date

29 September 2021

Parties

(1) Chunshan Wanshu Enterprise Management, as the Purchaser; and

(2) Shenzhen Qianhai Jinlinchi, as the Vendor

Equity Transfer

The Vendor has agreed to transfer to the Purchaser and the Purchaser has agreed to acquire from the Vendor, 70% of shares of Chongqing Youyou at a price of approximately RMB493.50 million.

The other 30% of shares of Chongqing Youyou to be transferred by Shenzhen Qianhai Jinlinchi will be acquired by Chongqing Youbao on behalf of and as designated by Chunshan Wanshu Enterprise Management, and be further controlled by Chunshan Wanshu Enterprise Management which is able to control over Chongqing Youyou in the manner of control by agreement. On 29 September 2021, Chunshan Wanshu Enterprise Management entered into a loan agreement with Chongqing Youbao, pursuant to which, Chunshan Wanshu Enterprise Management agreed to provide Chongqing Youbao with a loan of approximately RMB211.50 million for the payment of equity transfer fees in respect of 30% equity interest in Chongqing Youyou; at the same time, Chongqing Youbao entered into the Equity Transfer Agreement with Shenzhen Qianhai Jinlinchi, pursuant to which, Shenzhen Qianhai Jinlinchi agreed to transfer the other 30% of shares of Chongqing Youyou to Chongqing Youbao at a price of approximately RMB211.50 million.

The total consideration (i.e. RMB705.00 million) for the acquisition of the control of the aforesaid 100% shareholding in Chongqing Youyou was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account of the equity valuation of Chongqing Youyou as at 30 June 2021 (being the valuation benchmark date) conducted by an independent valuer applying market approach in the amount of approximately RMB705.00 million, which is mainly based on Chongqing Youyou's revenue for the trailing twelve months ended 30 June 2021 and the enterprise value-to-sales (EV/S) multiples of comparable companies.

3. The Acquisition III (Chongqing Tinggu)

East Crown (an indirect wholly-owned subsidiary of the Company) (as the Purchaser) has conditionally agreed to acquire, and Full Well (as the Vendor) has conditionally agreed to sell, the Sale Shares of Chongqing Tinggu, representing 100% of the total share capital of Chongqing Tinggu, at a consideration of approximately RMB375.00 million. The principal terms of the relevant agreement are set out below:

Date

29 September 2021

Parties

(1) East Crown, as the Purchaser; and

(2) Full Well, as the Vendor

Equity Transfer

The Vendor has agreed to transfer to the Purchaser and the Purchaser has agreed to acquire from the Vendor, the Sale Shares of Chongqing Tinggu at a price of approximately RMB375.00 million.

The consideration was determined after arm's length negotiations between the Purchaser and the Vendor after taking into account of the equity valuation of Chongqing Tinggu as at 30 June 2021 (being the valuation benchmark date) conducted by an independent valuer applying cost approach in the amount of approximately RMB375.00 million.

4. Common Terms of Three Equity Transfer Agreements

Conditions Precedent to the Completion

(1) The Vendor has obtained all internal and external approvals (including governmental approvals and all relevant third party consents) to be necessary for it to complete the proposed transactions under the transaction documents, and the commercial terms under the transaction documents have not been altered in such consents and approvals and continue to remain in full force and effect upon the Completion;

(2) The Purchaser complied with the requirements of the relevant regulations and the approvals required thereunder in respect of the transactions under the Agreement, including the passing of all necessary shareholders' resolutions by the listed companies in accordance with the Listing Rules, to approve the Agreement and the transactions contemplated thereunder and all other approvals or waivers required (where applicable);

(3) As of the Completion Date, there was no applicable law, governmental decree or proceeding preventing, restraining, prohibiting or otherwise restricting or materially and adversely altering the proposed transactions under the Agreement and other transaction documents;

(4) As of the Completion Date, the representations and warranties made by the Vendor shall remain true, accurate, complete and not misleading, and the Vendor is not in breach of the Agreement and other transaction documents;

(5) As of the Completion Date, the execution of the Agreement and other transaction documents and the performance of the transactions under this Transaction and other transaction documents and the Completion were not in violation of any laws or governmental decrees which apply to the Vendor and all contracts and agreements to which the Vendor is a party;

(6) The Purchaser has completed the procedures and documents of the certification of foreign shareholders required for the industrial and commercial modification of this Transaction and satisfied the conditions for processing the industrial and commercial modification of this Transaction (in respect of the Acquisition I and the Acquisition III only);

(7) The Purchaser has received the certificate signed by the Vendor in the forms and contents as specified in the Agreement, to prove that all conditions specified in the Agreement have been fully satisfied; and

(8) The Vendor has provided the Purchaser with copies of resolutions duly and validly passed at its general meeting and meeting of board of directors (as the case may be) in respect of the completion of the transactions under the Agreement (and such resolutions shall be satisfactory to the Purchaser).

Completion

The Completion of the equity transfer (the "**Completion**") shall take place on the day after the conditions precedent to the Completion (the "**Conditions Precedent to the Completion**") have been fully satisfied (or waived in writing by the Vendor) or on other date as the parties may otherwise agree in writing (the "**Completion Date**").

In respect of the Acquisition I and the Acquisition III, as at the Completion Date, the Purchaser shall pay the equity transfer price after deducting the withholding tax (if any) to the foreign bank account designated by the Vendor on the Completion Date. The tax withheld and paid by the Purchaser (if any) shall be included in the transaction price actually paid by the Purchaser. In respect of the Acquisition II, as at the Completion Date, the Purchaser shall fully pay the equity transfer price in one lump sum to the bank account designated by the Vendor and provide the Vendor with payment certificates.

The parties shall make their respective best efforts to facilitate the Completion to take place within 90 days after the date of the Agreement or other date as they may agree in writing (the date of expiration of the aforesaid period being the "**Long Stop Date**"). The Agreement may be terminated in accordance with its terms if the Completion does not take place before the Long Stop Date.

Breach Liability

In the event of any misrepresentation, breach of warranty, breach of undertaking or other default by either party under the Agreement or any other transaction documents, such defaulting party shall compensate the other party and its management, directors, shareholders, representatives, related parties and employees with the direct or indirect compensable losses related to and incurred by the above-mentioned breaches, and to protect them from losses.

II. CONTRACTUAL ARRANGEMENTS ON CHONGQING YOUYOU AND CHONGQING XIAOFEIXIANG

1. Reasons for Entering into the Contractual Arrangements

Contractual Arrangements on Chongqing Youyou

Due to the restrictions on foreign ownership under applicable laws and regulatory regulations, medical institutions shall not be wholly-owned by foreign investors, and foreign investments are restricted to the form of sino-foreign equity joint venture or cooperative joint venture. Furthermore, based on the opinion of the Company's legal advisor in the PRC, the competent authorities for foreign investment administration where the Group operates its hospitals are of the view that the Company, as a foreign entity, shall not directly or indirectly hold more than 70% equity interest in each of the hospitals in the PRC (the "**Foreign Ownership Restriction**"). As such, the Group entered into the existing Contractual Arrangements, in order to obtain the maximum economic benefits from the hospital.

As advised by the PRC legal advisor, the hospital operated by Chongqing Youyou is a medical institution in the PRC and is subject to the Foreign Ownership Restriction. As such, Shenzhen Qianhai Jinlinchi will enter into an agreement with Chongqing Youbao to transfer the other 30% of shares of Chongqing Youyou held by it to Chongqing Youbao, and Chongqing Youbao will become the shareholder holding the other 30% of shares of Chongqing Youyou. Meanwhile, in order to obtain the economic benefits of the other 30% of shares of Chongqing Youyou and to prevent the loss of equity and value, Chunshan Wanshu Enterprise Management has entered into the Contractual Arrangements with Chongqing Youyou and Other Shareholders of Chongqing Youyou (including Chongqing Youbao and its shareholders) to enable Chunshan Wanshu Enterprise Management to control the other 30% of shares of Chongqing Youyou and obtain the economic benefits arising therefrom.

Contractual Arrangements on Chongqing Xiaofeixiang

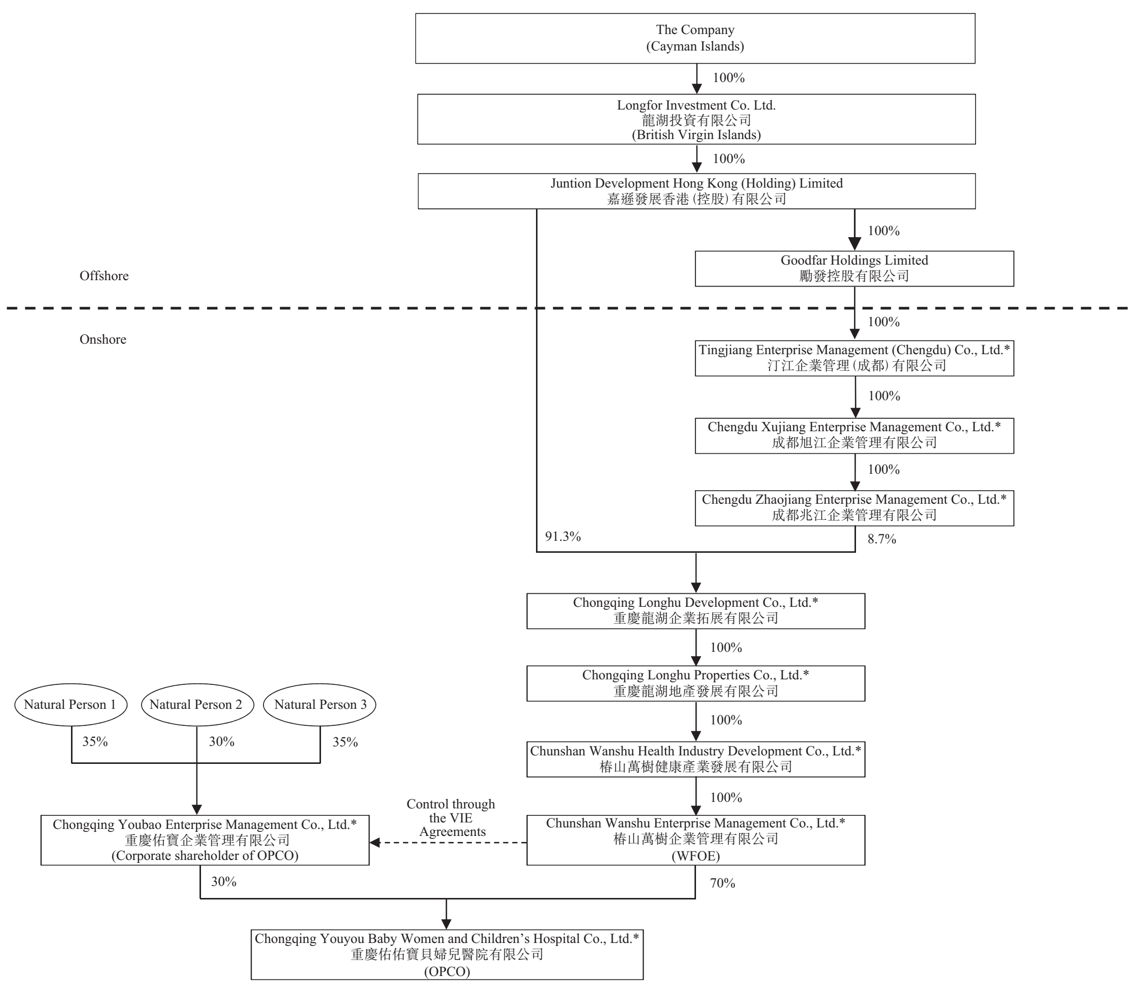
According to applicable laws and regulatory regulations and past experience, foreign investors are required to meet the relevant qualification requirements, that is, foreign investors investing in value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications business and a proven track record and good performance of business operations overseas. Therefore, the Group has entered into existing Contractual Arrangements with the aim of maximizing the economic benefits from such companies operating value-added telecommunications business.

As advised by the PRC legal advisor, Chongqing Xiaofeixiang is an entity operating value-added telecommunications business and is subject to the Foreign Ownership Restriction. Wanqian Internet holds 100% of shares of Chongqing Xiaofeixiang, and the Company will hold 100% of shares of Baiyou Technology upon the completion of the acquisition. Under this premise, in order to obtain the economic benefits of 100% of shares of Chongqing Xiaofeixiang, Baiyou Technology has entered into the Contractual Arrangements with Chongqing Xiaofeixiang and the Shareholders of Chongqing Xiaofeixiang (including Wanqian Internet and its shareholders) to enable Baiyou Technology to control 100% of shares of Chongqing Xiaofeixiang and obtain the economic benefits arising therefrom.

2. Structure of the Contractual Arrangements

Contractual Arrangements on Chongqing Youyou

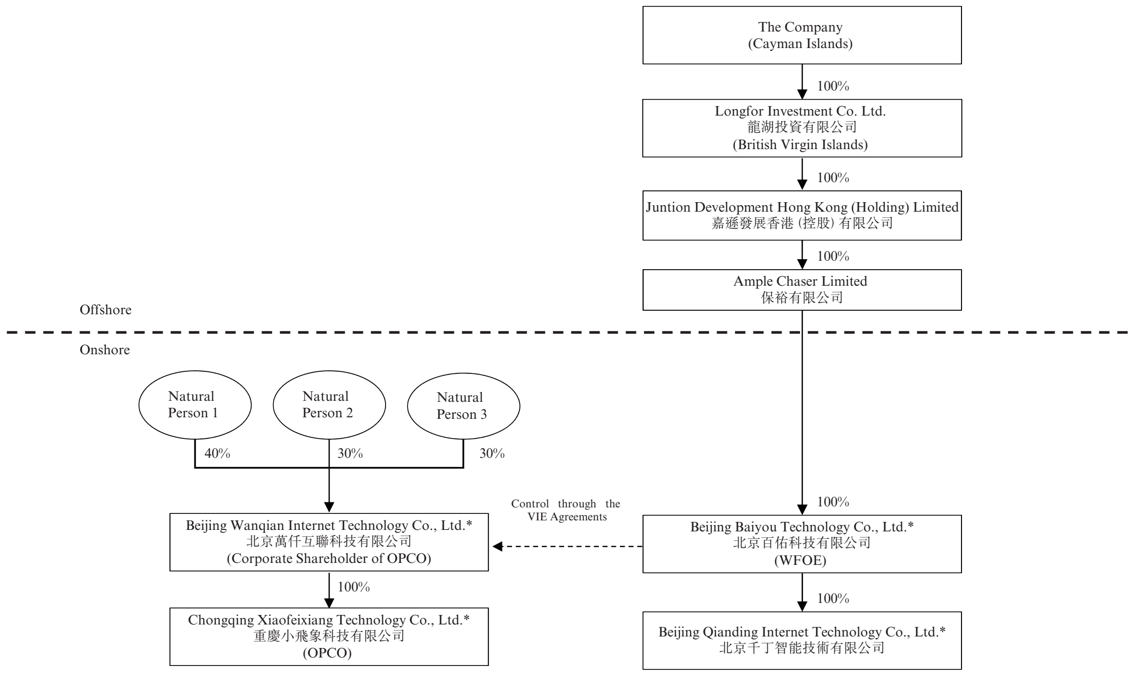
The following simplified diagram illustrates the Group's control relationship over Chongqing Youyou under the Contractual Arrangements:



Note: For details of the natural person shareholders of Chongqing Youbao, please refer to "VI. Definitions" in this announcement.

Contractual Arrangements on Chongqing Xiaofeixiang

The following simplified diagram illustrates the Group's control relationship over Chongqing Xiaofeixiang under the Contractual Arrangements:



Note: For details of the natural person shareholders of Wanqian Internet, please refer to "VI. Definitions" in this announcement.

3. Details of the Contractual Arrangements

The Contractual Arrangements on Chongqing Youyou and the Contractual Arrangements on Chongqing Xiaofeixiang were entered into on similar terms, the principal contents of which are set out below:

Exclusive Management Consulting and Business Cooperation Agreement

According to the Contractual Arrangements, WFOE shall provide the Corporate Shareholder of OPCO and OPCO with one or more exclusive management consulting and business cooperation services as agreed in the Agreement within the scope of its own operations as requested by the Corporate Shareholder of OPCO and OPCO from time to time. Without the prior written consent of WFOE, the Corporate Shareholder of OPCO and OPCO shall not accept the same or similar technology consulting or services from any third party for the above business during the term of the Agreement.

To the extent permitted by PRC laws, the Corporate Shareholder of OPCO and OPCO agree that any and all intellectual property rights, including but not limited to copyrights, patents, patent applications, trademarks, software, technical secrets, trade secrets and others, arising or created as a result of the performance of the Agreement shall be the exclusive and proprietary rights and interests of WFOE. The Corporate Shareholder of OPCO or OPCO shall not transfer, assign, pledge, license or otherwise dispose of its intellectual property rights without the written consent of WFOE. When the ownership or/and control of the Corporate Shareholder of OPCO or OPCO is transferred, WFOE shall be entitled to purchase all the above intellectual property rights held by the Corporate Shareholder of OPCO or OPCO from them at the minimum consideration as permitted by law.

During the valid term of the Agreement, to the extent permitted by PRC laws, the Corporate Shareholder of OPCO and OPCO should irrevocably appoint WFOE (and any of its agent or subagent) as their agent, while WFOE may, on behalf of the Corporate Shareholder of OPCO and OPCO and in the name of the Corporate Shareholder of OPCO and OPCO or through other ways (as determined by the agent):

(1) execute relevant documents with the third party, including but not limited to suppliers and customers;

(2) conduct any matters which the Corporate Shareholder of OPCO and OPCO should have obliged to deal with under the Agreement; and

(3) execute all necessary documents and conduct all necessary matters to enable WFOE to fully exercise all or any of rights granted by the Agreement.

As the consideration for the exclusive management consulting and business cooperation services provided by WFOE, the Corporate Shareholder of OPCO or OPCO shall pay WFOE service fee (the "**Exclusive Management Consulting and Business Cooperation Fee**") on an annual basis. Specifically,

(1) as for Chongqing Youyou, the Exclusive Management Consulting and Business Cooperation Fee shall be determined by Chongqing Youbao with reference to its distributed profits received from profits for the previous year of Chongqing Youyou in respect of its 30% equity interest in Chongqing Youyou, while Chunshan Wanshu Enterprise Management has right to adjust the service fee independently and freely based on the actual scope of services and with reference to the operating conditions and expansion needs of Chongqing Youbao and Chongqing Youyou;

(2) as for Chongqing Xiaofeixiang, the Exclusive Management Consulting and Business Cooperation Fee shall be the profits for the previous year of Chongqing Xiaofeixiang, while Baiyou Technology has right to adjust the service fee independently and freely based on the actual scope of services and with reference to the operating conditions and expansion needs of Wanqian Internet and Chongqing Xiaofeixiang.

Exclusive Option Agreement

Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) as well as the Corporate Shareholder of OPCO granted WFOE or its designated buyer (the "**Buyer**") an exclusively irrevocable and unconditional purchasing option of equities. The Buyer has right to decide to, pursuant to the procedures, terms and conditions set out in the Agreement, purchase all or part of equity interests or assets in the Corporate Shareholder of OPCO owned by Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲), or the equity interests or assets in OPCO owned by the Corporate Shareholder of OPCO from Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) or the Corporate Shareholder of OPCO on a one-off basis or in batches at any time, with a consideration of RMB1 or the lowest price then permitted by PRC laws or competent regulatory departments.

Power of Attorney

Appointer	:	Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) as well as the Corporate Shareholder of OPCO
Appointee	:	WFOE or its designated directors and its successors (excluding any non-independent persons or persons who may give rise to conflicts of interests)

The appointer irrevocably and specifically authorises and entrusts the appointee to exercise, to the extent permitted by PRC laws, the following rights to which the appointer is entitled as a shareholder of the Corporate Shareholder of OPCO/shareholder of OPCO respectively in accordance with the Articles of Association then in force:

a. make and execute the general meeting resolutions or shareholders' decisions of the Corporate Shareholder of OPCO/OPCO, propose to convene and attend the general meeting where applicable, in accordance with the provisions of the Articles of Association, and sign meeting minutes of general meeting where applicable, and the general meeting resolutions/shareholders' decisions or other legal documents on behalf of the appointer;

b. exercise all stockholder's right to which the appointer is entitled in accordance with the laws and the Articles of Association of the Corporate Shareholder of OPCO/OPCO, including but not limited to voting rights of the shareholders, the rights to sell, transfer, pledge or dispose of all or any part of the appointer's equity interests or any rights, equity or interests related to such equity interests;

c. exercise voting rights on behalf of appointer for all matters required discussion and resolution at the general meeting, including but not limited to designating and electing authorised representative, chairperson, director, supervisor, general manager, deputy general manager, chief financial officer and other senior management of the Corporate Shareholder of OPCO/OPCO, deciding to liquidate and dissolve the Corporate Shareholder of OPCO/OPCO, designating and appointing members of the liquidation group and/or its agent, and approving liquidation scheme and liquidation report;

d. carry out legal procedures such as company registration, approval and licensing for the Corporate Shareholder of OPCO/OPCO with State Administration for Industry and Commerce and other regulatory departments;

e. supervise the operational performance of the Corporate Shareholder of OPCO/OPCO, approve its annual budget or declare dividends distribution, and review the financial information of the Corporate Shareholder of OPCO/OPCO at any time;

f. bring a shareholder action or any other legal action against the directors or management of the Corporate Shareholder of OPCO/OPCO in the event that their acts cause damages to the interests of the Corporate Shareholder of OPCO/OPCO or their shareholders;

g. approve amendments to the Articles of Association; and

h. has any other rights conferred upon shareholders under the Articles of Association of the Corporate Shareholder of OPCO/OPCO (as amended from time to time) or relevant laws and regulations.

The appointee shall perform the fiduciary duties in accordance with the laws and the Articles of Association within the scope of the authorization stipulated in the agreement in a prudent and diligent manner, and ensure that the resolution of the relevant general meeting or the decision made by the shareholders/the convening procedure, voting method and content of the general meeting do not violate the laws, administrative regulations or the Articles of Association. All acts of the appointee in exercising the rights of a shareholder shall be deemed to be acts of the appointer and all relevant documents signed shall be deemed to be signed by the appointer. The appointee may do so at its/his/her own discretion without seeking the prior consent of the appointer or any shareholder, if any. The shareholders and the appointer hereby acknowledge and approve such acts and/or documents of the appointee, recognize and assume the legal consequences arising from the aforementioned acts or documents.

The appointee is entitled to allocate, use or otherwise dispose of cash dividends and other non-cash benefits arising from the equity of the appointer under the written instructions of WFOE.

The appointer and the Corporate Shareholder of OPCO/OPCO agree to indemnify and hold harmless WFOE from and against all losses suffered or maybe suffered by WFOE as a result of the exercise of the appointer's right to appoint the appointee, including but not limited to any losses arising from litigation, recovery, arbitration, claims brought against the appointer by any third party, or administrative investigations or penalties by governmental authorities. However, such losses shall not be compensated if they are caused by the wilfulness or gross negligence of the appointee.

Equity Pledge Agreement

Pledgors	:	Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) as well as the Corporate Shareholder of OPCO
Pledgee	:	WFOE
Pledged equity	:	all of equity of OPCO/Corporate Shareholder of OPCO legally owned by the pledgors at the effective date of the agreement and which will be pledged to the pledgee as security for the performance of the contractual obligations of pledgors and OPCO/Corporate Shareholder of OPCO under the provisions of the agreement

The pledgors agree to pledge to the pledgee the pledged equity that is legally owned and entitled to dispose of by them in accordance with the agreement as a guarantee for the repayment of the guaranteed indebtedness. The OPCO/Corporate Shareholder of OPCO agrees that the pledgors will pledge the pledged equity to the pledgee in accordance with the agreement and grant the pledgee the first priority right of pledge.

If the value of the pledged equity may significantly reduce to the extent that the rights of the pledgee are jeopardized, the pledgee may at any time auction off or sell the pledged equity on behalf of the pledgors and agree with the pledgors to use the proceeds from the auction or sale to settle the guaranteed indebtedness in advance or to deposit with the public notary where the pledgee is located (any costs incurred therein shall be borne by the pledgors).

With the prior consent of the pledgee, the pledgors may increase the capital of OPCO/Corporate Shareholder of OPCO. The increase in the amount of capital contributed by the pledgors to the OPCO/Corporate Shareholder of OPCO due to the increase in the capital of the OPCO/Corporate Shareholder of OPCO is also a pledge of equity.

During the term of the pledge, the pledgee is entitled to receive bonuses or dividends arising from the pledged equity. With the prior consent of the pledgee, the pledgors may receive dividends or bonuses on the pledged equity. The dividends or bonuses received by the pledgors in connection with the pledged equity shall be deposited to the designated account of the pledgee, which shall be supervised by the pledgee and used as the pledged equity to firstly settle the guaranteed indebtedness.

Spouse's Undertakings

Each of respective spouses of Wang Duan (王端) and Wang Yi (王毅) signed an undertaking (the spouse's undertakings are not applicable to Wang Xueyun (王雪雲)) confirming that:

a. they fully understand and agree to the Contractual Arrangements signed by Wang Duan (王端) and Wang Yi (王毅);

b. the relevant equity of the Corporate Shareholder of OPCO, the relevant equity of OPCO held indirectly through the Corporate Shareholder of OPCO, and all the rights and interests attached to such relevant equity, which are held by Wang Duan (王端) and Wang Yi (王毅), are not common property, and they do not enjoy any rights, interests or benefits in such relevant equity, and will not make any claims or litigation against such equity in the future;

c. they had not been, are and will not be involved in the operation, management, liquidation, and dissolution of the Corporate Shareholder of OPCO and OPCO;

d. if they acquire such equity indirectly for any reason, they shall be bound by the Contractual Arrangements (as amended from time to time) and comply with the obligations thereunder.

The PRC legal advisor of the Company is of the view that (i) the above arrangements would provide protection to the Group in the event of death or divorce of Wang Duan (王端) and Wang Yi (王毅); and (ii) the death or divorce of Wang Duan (王端) and Wang Yi (王毅) would not affect the validity of the new contractual arrangements, and WFOE or the Company may still enforce their rights under the Contractual Arrangements against the Corporate Shareholder of OPCO and its successors.

Common Terms of the Contractual Arrangements

For details of the common terms of the Contractual Arrangements, please refer to Appendix I to this announcement.

4. Legality of the Contractual Arrangements

The PRC legal advisor of the Company, following completion of reasonable due diligence steps, is of the following legal opinion:

a. each of WFOE, the Corporate Shareholder of OPCO and OPCO is duly established and validly existing under the PRC laws;

b. each of WFOE, the Corporate Shareholder of OPCO and OPCO has authority and authorizations to execute and perform the Contractual Arrangements;

c. the Contractual Arrangements, taken individually and collectively, will not violate the mandatory provisions of the existing PRC laws and regulations and constitutes legal, valid and binding obligations of the parties thereto except that (i) the arbitration commission has no power to grant injunctive relief, nor will it be able to order the winding-up of the Corporate Shareholder of OPCO and OPCO pursuant to the current PRC laws; and (ii) interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognized or enforceable in the PRC;

d. the Contractual Arrangements will not, individually or collectively, violate the mandatory provisions of the Civil Code of the PRC and other applicable PRC laws and regulations and shall not be deemed as "concealing illegal intentions with a lawful form" resulting in the invalidity of the agreements under the Contractual Arrangements. However, it cannot be ruled out that the government authorities will make different regulations or interpretations on the VIE Agreement in the future, and hold that the arrangements under the VIE Agreement do not comply with the requirements of the PRC laws currently in force or the laws, regulations, rules or normative documents to be promulgated in the future, thus denying the legality, validity and enforceability of the VIE Agreement;

e. none of the agreements under the Contractual Arrangements will violate any provisions of the existing articles of association of each of WFOE, the Corporate Shareholder of OPCO and OPCO; and

f. the execution and performance of the Contractual Arrangements do not require any approvals from any PRC governmental agency, except that the Equity Pledge Agreement is subject to registration requirements with the relevant administration for market regulation and the exercising of the exclusive options by WFOE according to the Exclusive Option Agreement shall be subject to the then effective PRC laws and regulations and relevant approving procedures (if applicable).

5. The Board's View on the Contractual Arrangements

Based on the above, the Board is of the view that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to Foreign Ownership Restriction in the PRC. Upon the completion of the Acquisitions, the Company will directly hold 70% equity interest in Chongqing Youyou, and through the Contractual Arrangements, the Company will also obtain control over the remaining 30% equity interest in Chongqing Youyou through Chunshan Wanshu Enterprise Management. As such, the Company can receive all of the economic interest returns generated by Chongqing Youyou. Upon the completion of the Acquisitions, the Company will hold 100% equity interest in Baiyou Technology, and can receive all of the economic interest returns generated by Chongqing Xiaofeixiang through the Contractual Arrangements.

6. Compliance with the Contractual Arrangements

The Group will adopt the following measures to ensure the effective operation with the implementation and compliance of the Contractual Arrangements:

a. major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

b. the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

c. the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors; and

d. the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of WFOE, the Corporate Shareholder of OPCO and OPCO to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, the Company believes that the Directors are able to perform their roles in the Group independently and the Group is capable of managing its business independently under the following measures:

a. the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflicts of interest by providing, among others, that in the event of conflicts of interest in any contract or transaction calling for vote, the Director who is so interested shall declare the nature of his or her interest at the earliest time before or at meeting of the

Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

b. each of the Directors is aware of his or her fiduciary duties as a Director which requires, among others, that he or she acts for the benefits and in the best interests of the Group;

c. the Company has appointed four independent non-executive Directors, comprising more than one third of the Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of the Company and the Shareholders as a whole; and

d. the Group will disclose in its announcements, circulars and annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

7. Risks Relating to the Contractual Arrangements

For details of the risks relating to the Contractual Arrangements, please refer to the Appendix II of this announcement.

III. THE INFORMATION ON THE PARTIES AND TARGET COMPANIES

1. Information on the Group

The Group is principally engaged in the development of residential and commercial properties, property investment, rental housing and property management businesses in the PRC.

2. Information on the Vendors

GIL is a limited liability company established in Hong Kong, mainly engaging in investment holding. As at the date of this announcement, GIL is ultimately and beneficially wholly-owned by Madam Cai Xinyi and is also a connected person of the Company.

Shenzhen Qianhai Jinlinchi is a limited liability company established in China, mainly engaging in hospital management, medical equipment leasing, protective supplies wholesale for health care workers and other businesses. As at the date of this announcement, Shenzhen Qianhai Jinlinchi is held by Friendly International Company Limited (whose ultimate beneficial owner is Cai Xinyi) as to 70% and by Tibet Xiangyu Hetai Enterprise Management Co., Ltd.* (西藏祥毓和泰企業管理有限公司) (whose ultimate beneficial owners are Xia Yunpeng (夏雲鵬), Li Chaojiang (李朝江) and Li Liyang (李麗陽)) as to 30%, and is also a connected person of the Company.

Full Well is a limited liability company established in Hong Kong, mainly engaging in investment holding. As at the date of this announcement, Full Well is ultimately and beneficially wholly-owned by Madam Cai Xinyi, and is also a connected person of the Company.

3. Information on the Purchasers

Ample Chaser is a limited company established in Hong Kong, mainly engaging in investment holding. As at the date of this announcement, Ample Chaser is an indirect wholly owned subsidiary of the Company.

Chunshan Wanshu Enterprise Management is a limited liability company established in China, mainly engaging in health management; elderly care service, healthcare consultation; trading of approved drugs and medical equipment. As at the date of this announcement, Chunshan Wanshu Enterprise Management is an indirect wholly-owned subsidiary of the Company.

East Crown is a limited company established in Hong Kong, mainly engaging in investment holding. As at the date of this announcement, East Crown is an indirect wholly-owned subsidiary of the Company.

4. Information on the Target Companies

(1) Baiyou Technology

Baiyou Technology is a limited liability company incorporated in China and provides technology service applying in different places and scenarios. It applies the innovative technologies as intelligent hardware, Cloud technology, Big Data and AI to develop digital enterprise solutions covering the real estate enterprise traditional information system, internet of equipment and facilities and internet of intelligent scenes. This is how it empowers the Group to support the digital management and intelligent service as well as improve its serving capability in more places and scenarios continually. As at the date of this announcement, Baiyou Technology is wholly-owned by GIL.

Set out below are certain financial information of Baiyou Technology for the year ended 31 December 2019 and the year ended 31 December 2020 (including its consolidated subsidiaries) prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2019 *RMB*	**For the year ended 31 December 2020** *RMB*
Profit before taxation	–201,064,083.70	–155,645,331.62
Profit after taxation	–201,064,083.70	–155,921,361.40
Operating revenue	84,196,167.90	110,049,991.99

As of 30 June 2021, the unaudited total assets and unaudited total liabilities of Baiyou Technology (including its consolidated subsidiaries) amounted to approximately RMB240,063,717.28 and RMB97,177,065.78, respectively.

The initial cost for the connected persons to acquire Baiyou Technology was RMB1,475.21 million.

(2) Chongqing Youyou

Chongqing Youyou, a company incorporated in the PRC with limited liability, is a medical consortia hospital of the Children's Hospital of Chongqing Medical University and a high-quality specialty hospital for women and children focusing on providing safe, convenient, efficient and comfortable medical services and health management services to children. As at the date of this announcement, Chongqing Youyou is a wholly-owned subsidiary of Shenzhen Qianhai Jinlinchi.

Set out below are certain financial information of Chongqing Youyou for the year ended 31 December 2019 and the year ended 31 December 2020 prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2019 *RMB*	**For the year ended 31 December 2020** *RMB*
Profit before taxation	–46,423,108.19	–38,326,180.24
Profit after taxation	–46,423,108.19	–38,326,180.24
Operating revenue	42,912,786.05	73,168,739.11

As of 30 June 2021, the unaudited total assets and unaudited total liabilities of Chongqing Youyou amounted to approximately RMB430,198,272.05 and RMB72,565,925.51, respectively.

The initial cost for the connected persons to acquire Chongqing Youyou was RMB549.38 million.

(3) Chongqing Tinggu

Chongqing Tinggu, a company incorporated in the PRC with limited liability, primarily holds buildings 1, 2 and 3 at No. 999 Jiarong Road, Liangjiang New District, Chongqing where Chongqing Youyou is located. As at the date of this announcement, Chongqing Tinggu was wholly owned by Full Well.

Set out below are certain financial information of Chongqing Tinggu for the year ended 31 December 2019 and the year ended 31 December 2020 prepared in accordance with the generally accepted accounting principles of the PRC:

	For the year ended 31 December 2019 *RMB*	**For the year ended 31 December 2020** *RMB*
Profit before taxation	–17,730,509.50	–21,981,071.00
Profit after taxation	–17,730,509.50	–21,981,071.00
Operating revenue	7,608,435.96	5,706,330.24

As of 30 June 2021, the unaudited total assets and unaudited total liabilities of Chongqing Tinggu amounted to approximately RMB494,039,911.04 and RMB222,119,541.57, respectively.

The initial cost for the connected persons to acquire Chongqing Tinggu was RMB342.64 million.

IV. REASONS FOR AND BENEFITS OF THE ACQUISITION

The acquisition of Chongqing Youyou and Chongqing Tinggu is conducive to enriching the existing medical and healthcare business of the Group, developing the maternity and pediatric medical market and providing more diversified types of services. This acquisition is in line with the national policy of encouraging developing medical institutions with social capital and optimizing childbirth. The Group and Chongqing Youyou will continue to achieve customer attraction and service empowerment through business synergy in the future, which will improve service experience and stickiness, and also optimize the operational performance of Chongqing Youyou.

The acquisition of Baiyou Technology is conducive to the Group's introduction of integrated solutions for the intelligent hardware and SaaS services and accelerating the establishment of the Group's digital capabilities to reduce costs and increase efficiency. With the support of national policies, the Group can be driven to incubate technologically advanced business segments and integrate artificial intelligence technology and intelligent hardware in business scenarios, so as to stimulate the synergy among various businesses and business scenarios to a greater extent and form a new synergy for development.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Three Acquisitions and the Contractual Arrangements are fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

As Madam Wu Yajun (being the mother of Madam Cai Xinyi) is an associate of Madam Cai Xinyi, who is interested in the Vendors of each of the Three Acquisitions, Madam Wu Yajun has abstained from voting on the relevant Board resolutions for approving the Three Acquisitions. Save as aforementioned, no other Director was required to abstain from voting on the relevant Board resolutions for approving the Three Acquisitions.

V. LISTING RULES IMPLICATIONS

As at the date of this announcement, Madam Cai Xinyi is interested in 42.66% of shares of the Company through a trust and, as Madam Cai Xinyi is the ultimate beneficial owner of all the interests of the Vendors, GIL and Full Well, and is also interested in 70% of shares of Shenzhen Qianhai Jinlinchi, GIL, Shenzhen Qianhai Jinlinchi and Full Well are the associates of Madam Cai Xinyi. Therefore, GIL, Shenzhen Qianhai Jinlinchi and Full Well are connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the Three Equity Transfer Agreements and the Three Acquisitions thereunder all constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, the Three Acquisitions shall be aggregated and treated as if they were one transaction. As the highest applicable percentage ratio (as defined in the Listing Rules) in aggregation exceeds 0.1% but is less than 5%, the Acquisitions are only subject to the announcement and reporting requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements under the Listing Rules.

VI. DEFINITIONS

In this announcement, the following terms and expressions used herein shall have the following meanings unless the context otherwise requires:

"Ample Chaser"	Ample Chaser Limited(保裕有限公司), the Purchaser of the Acquisition I. As at the date of this announcement, Ample Chaser is an indirect wholly-owned subsidiary of the Company
"Baiyou Technology"	Beijing Baiyou Technology Co., Ltd.* (北京百佑科技有限公司), the Target Company of the Acquisition I
"China" or "PRC"	the People's Republic of China
"Chongqing Tinggu"	Chongqing Tinggu Real Estate Development Co., Ltd. * (重慶汀谷地產發展有限公司), the Target Company of the Acquisition III

"Chongqing Youbao"	Chongqing Youbao Enterprise Management Co., Ltd.* (重慶佑寶企業管理有限公司), which is principally engaged in corporate management and corporate management consulting. As at the date of this announcement, the ultimate beneficial owners of Chongqing Youbao are Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲), who are employees of the Company and hold 35%, 30% and 35% of shares of Chongqing Youbao, respectively. The directors of the Company confirm, having made all reasonable inquiries, that to the best of their knowledge and belief Chongqing Youbao and its ultimate beneficial owners are independent third parties independent of the Company and its connected persons. Upon the completion of the relevant transaction, it will be the shareholder holding the other 30% of shares of Chongqing Youyou
"Chongqing Youyou"	Chongqing Youyou Baby Women and Children's Hospital Co., Ltd.* (重慶佑佑寶貝婦兒醫院有限公司), the Target Company of the Acquisition II
"Chongqing Xiaofeixiang"	Chongqing Xiaofeixiang Technology Co., Ltd.* (重慶小飛象科技有限公司), which is principally engaged in internet technology development, technology services, technology consulting, technology transfer and other businesses. As at the date of this announcement, Chongqing Xiaofeixiang is wholly-owned by Wanqian Internet, and its ultimate beneficial owners are Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲)
"Chunshan Wanshu Enterprise Management"	Chunshan Wanshu Enterprise Management Co., Ltd.* (椿山萬樹企業管理有限公司), the Purchaser of the Acquisition II. As at the date of this announcement, Chunshan Wanshu Enterprise Management is an indirect wholly-owned subsidiary of the Company
"Contractual Arrangements"	Contractual Arrangements on Chongqing Youyou and/or Contractual Arrangements on Chongqing Xiaofeixiang
"Contractual Arrangements on Chongqing Xiaofeixiang"	a series of contractual arrangements entered into amongst Baiyou Technology, Chongqing Xiaofeixiang and Shareholders of Chongqing Xiaofeixiang, which would enable Baiyou Technology to control 100% of shares of Chongqing Xiaofeixiang and obtain the economic benefits arising therefrom

"Contractual Arrangements on Chongqing Youyou"	a series of contractual arrangements entered into amongst Chunshan Wanshu Enterprise Management, Chongqing Youyou and Other Shareholders of Chongqing Youyou, which would enable Chunshan Wanshu Enterprise Management to control the other 30% of shares of Chongqing Youyou and obtain the economic benefits arising therefrom
"Corporate Shareholder of OPCO"	represented Chongqing Youbao in the Contractual Arrangements on Chongqing Youyou and Wanqian Internet in the Contractual Arrangements on Chongqing Xiaofeixiang
"East Crown"	East Crown Corporation Limited (東冠有限公司), the Purchaser of the Acquisition III. As at the date of this announcement, East Crown is an indirect wholly-owned subsidiary of the Company
"Full Well"	Full Well Limited (豐樺有限公司), the Vendor of the Acquisition III
"GIL"	Greenery Investments Limited, the Vendor of the Acquisition I
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"OPCO"	represented Chongqing Youyou in the Contractual Arrangements on Chongqing Youyou and Chongqing Xiaofeixiang in the Contractual Arrangements on Chongqing Xiaofeixiang
"Other Shareholders of Chongqing Youyou"	Chongqing Youbao and its shareholders, being Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) that will hold the other 30% of shares of Chongqing Youyou upon the completion of the relevant transaction
"Purchaser" or "Purchasers"	Ample Chaser, Chunshan Wanshu Enterprise Management and/or East Crown, each of the purchaser of the Three Acquisitions, respectively

"Sale Shares of Baiyou Technology"	the registered capital of US$250 million together with all corresponding equity of Baiyou Technology (equal to the entire existing registered capital of Baiyou Technology) that is held by the Vendors
"Sale Shares of Chongqing Tinggu"	the registered capital of RMB400 million together with all corresponding equity of Chongqing Tinggu (equal to the entire existing registered capital of Chongqing Tinggu) that is beneficially owned by the Vendors
"Sale Shares of Chongqing Youyou"	the registered capital of RMB630 million together with all corresponding equity of Chongqing Youyou (equal to 70% of the existing registered capital of Chongqing Youyou) that is beneficially owned the Vendors
"Shareholders of Chongqing Xiaofeixiang"	Wanqian Internet and its shareholders, being Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲). As at the date of this announcement, to the best knowledge and belief of the directors of the Company after having all reasonable enquiries, Chongqing Xiaofeixiang and its ultimate beneficial owners are independent third parties independent of the Company and its connected persons
"Shenzhen Qianhai Jinlinchi"	Shenzhen Qianhai Jinlinchi Medical Service Technology Co., Ltd.* (深圳前海錦粼池醫療服務科技有限公司), the Vendor of the Acquisition II
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company" or "Target Companies"	Baiyou Technology, Chongqing Youyou and/or Chongqing Tinggu
"Three Acquisitions" or "Acquisitions"	collectively, the Acquisition I, the Acquisition II and the Acquisition III
"Three Equity Transfer Agreements"	the three equity transfer agreements dated 29 September 2021 and entered into between the Company and its subsidiaries, on one hand, and the Vendors, on the other hand, in relation to the Three Acquisitions, respectively

"Vendor" or "Vendors"	GIL, Shenzhen Qianhai Jinlinchi and/or Full Well, each of the vendor of the Three Acquisitions, respectively
"Wanqian Internet"	Beijing Wanqian Internet Technology Co., Ltd.* (北京萬仟互聯科技有限公司), as at the date of this announcement, the employees of the Company, being Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) held 40%, 30% and 30% of shares of Wanqian Internet, respectively. The directors of the Company confirm, having made all reasonable inquiries, that to the best of their knowledge and belief Wanqian Internet and its ultimate beneficial owners are independent third parties independent of the Company and its connected persons
"WFOE"	represented Chunshan Wanshu Enterprise Management in the Contractual Arrangements on Chongqing Youyou and Baiyou Technology in the Contractual Arrangements on Chongqing Xiaofeixiang

* *For identification purpose only.*

By Order of the Board
Longfor Group Holdings Limited
Wu Yajun
Chairperson

Hong Kong, 29 September 2021

As at the date of this announcement, the Board comprises nine members: Madam Wu Yajun, Mr. Shao Mingxiao, Mr. Zhao Yi, Mr. Wang Guangjian and Mr. Chen Xuping who are executive Directors; and Mr. Frederick Peter Churchouse, Mr. Chan Chi On, Derek, Mr. Xiang Bing and Mr. Zeng Ming who are independent non-executive Directors.

APPENDIX I: COMMON TERMS OF THE CONTRACTUAL ARRANGEMENTS

Dispute Resolution

The PRC laws shall be applicable to the execution, validity, performance, amendment, interpretation and termination of the Agreements.

Any disputes, disagreement or request for right on the Agreements or arising from or relating to the performance, interpretation, default, termination or effect of the Agreements shall be settled through amicable negotiation between both parties.

In the event that the parties fail to reach an agreement on the resolution of a dispute within 30 days after either party's written notice to the other party in respect of the request for resolution of the dispute through negotiations, any party may submit such a dispute to China International Economic and Trade Arbitration Commission ("**CIETAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. Subject to the current PRC laws and effective arbitration rules, CIETAC has the right to order the compensation on OPCO/Corporate Shareholder of OPCO out of its equity or assets, issue bans (such as limiting the conduct of special operation or compelling the transfer of assets), or order the dissolution and liquidation of OPCO/Corporate Shareholder of OPCO. During the period of seeking the resolution of a dispute, all parties shall continue performance of the Agreements in all other respects except the matter on such a dispute.

Subject to the current PRC laws and effective arbitration rules, a competent court (including but not limited to courts in Cayman Islands, British Virgin Islands, Hong Kong Special Administrative Region of PRC, Mainland China and where the principal assets of the Company and OPCO are located) shall have the right to grant interim award in support of the arbitration when formation of the above arbitral tribunal by CIETAC is pending or under other appropriate circumstances. All parties shall be entitled to request the competent court to execute the arbitration award when it comes into effect.

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

As a result of the above, in the event that the Corporate Shareholder of OPCO or OPCO breaches any terms of the Contractual Arrangements, the Company may not be able to obtain sufficient remedies in a timely manner, and its ability to exert fully effective control over the Corporate Shareholder of OPCO and OPCO and to conduct its business could be materially and adversely affected.

Succession

In the event that the shareholding ratio of domestic individual shareholders in the Corporate Shareholder of OPCO is changed due to any form of sale, assignment and transfer and other activities, shareholders of domestic natural persons hereby make the following undertakings: shareholders of domestic natural persons and the Corporate Shareholder of OPCO shall make sure that all the rights and obligations under the Agreements are fully assumed by the then Corporate Shareholder of OPCO and its shareholders.

In the event that the shareholding ratio of the Corporate Shareholder of OPCO in OPCO is changed due to any form of sale, assignment and transfer and other activities, the Corporate Shareholder of OPCO hereby makes the following undertakings: the Corporate Shareholder of OPCO and OPCO shall make sure that all the rights and obligations under the Agreements are fully assumed by the then OPCO and its shareholders.

As advised by the PRC legal advisor, the provisions set out in the Contractual Arrangements are also binding on any successor of Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) as if such successor was a signing party to the Contractual Arrangements. Therefore, any non-compliance matter by any successor shall be deemed to be a breach of the Contractual Arrangements.

Conflicts of Interests

Wang Duan (王端), Wang Yi (王毅), Wang Xueyun (王雪雲) and the Corporate Shareholder of OPCO have undertaken not to act against the aim or attention of the Agreements and other major agreements, which are relating to cooperation and entered between the parties and OPCO from time to time with aim to conduct relevant cooperation, and not to, or omit to take actions that may give rise to conflicts of interests of WFOE or the Corporate Shareholder of OPCO or OPCO or their subsidiaries. In the event of a conflict of interests, the legitimate interests of WFOE or the Corporate Shareholder of OPCO or OPCO or their subsidiaries shall be supported and reasonable actions shall be taken as required by WFOE. Wang Duan (王端), Wang Yi (王毅), Wang Xueyun (王雪雲) and the Corporate Shareholder of OPCO have undertaken not to use information obtained from WFOE to engage in any business that competes or is likely to compete with the business of the Corporate Shareholder of OPCO or OPCO or its related companies without the prior written consent of WFOE.

Share of Profits and Losses

During the effective period of the Agreements, WFOE will enjoy all the economic benefits of any Corporate Shareholder of OPCO based on its holding of OPCO equity and all the economic benefits generated by the OPCO business and investment. When the Corporate Shareholder of OPCO and OPCO suffer losses or encounter any operational crisis, WFOE is entitled (but not obligated) to provide the Corporate Shareholder of OPCO and OPCO with any form of financial support as permitted by law at that time. Under these circumstances, WFOE has the right to decide that the Corporate Shareholder of OPCO and OPCO should unconditionally accept the decision of the WFOE's board of directors on whether the Corporate Shareholder of OPCO and OPCO should continue to operate.

Chongqing Youbao and Chongqing Youyou Baby shall adopt an accounting system established and implemented in accordance with sound business practices, and prepare financial statements that meet the requirements of the board of directors of WFOE, and send them to WFOE within 3 working days from the date of completion of the preparation of such financial statements and other financial reports.

The Corporate Shareholder of OPCO and OPCO are limited companies and shall be solely responsible for their own debts and losses with the assets and properties they own. In addition, in view of the fact that the Group conducts most of its business operations in China according to the necessary PRC operating licenses and approvals held by the Corporate Shareholder of OPCO and OPCO, and its financial condition and operating results are consolidated in the Group's financial statements in accordance with applicable accounting standards, if the Corporate Shareholder of OPCO or OPCO suffers any losses, the Company's business, financial condition and operating results will be adversely affected.

Liquidation

According to the Equity Pledge Agreement, if OPCO needs to be dissolved or liquidated in accordance with the mandatory provisions of applicable laws, the Corporate Shareholder of OPCO shall, after OPCO completes the dissolution or liquidation procedures in accordance with the law, transfer any interests distributed from OPCO legally as a gift to WFOE or entities/individuals designated by WFOE without violation of any PRC laws. If the Corporate Shareholder of OPCO needs to be dissolved or liquidated in accordance with the mandatory provisions of applicable laws, Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) shall, after the Corporate Shareholder of OPCO completes the dissolution or liquidation procedure in accordance with the law, transfer any interests distributed from the Corporate Shareholder of OPCO legally as a gift to WFOE or entities/individuals designated by WFOE without violation of any PRC laws.

Therefore, if the Corporate Shareholder of OPCO and OPCO wind up, according to the Contractual Arrangements, WFOE can enjoy the liquidation proceeds of the Corporate Shareholder of OPCO and OPCO for the benefit of the Company's creditors and shareholders.

Term

The Agreements shall be valid for the entire operating period of the Corporate Shareholder of OPCO and OPCO as well as the renewable period according to the PRC laws, and automatically terminate upon WFOE has fully exercised its rights under the Exclusive Option Agreement to purchase assets of the Corporate Shareholder of OPCO or OPCO or the entire equity of the Corporate Shareholder of OPCO held by domestic natural person shareholders or the entire equity of OPCO held by the Corporate Shareholder of OPCO, and WFOE completes the registration of the related equity transfer or WFOE informs the Corporate Shareholder of OPCO and OPCO in writing according to the Agreements that the service will not be renewed.

Insurance

The Company has not insured to cover the risks associated with Contractual Arrangements.

APPENDIX II: RISKS RELATED TO CONTRACTUAL ARRANGEMENTS

1. **If the Chinese government considers that the Contractual Arrangements do not comply with China's regulatory restrictions on foreign investment in related industries, or if such regulations or the interpretation of existing regulations change in the future, the Group may be severely penalized or forced to abandon the benefits obtained through the Contractual Arrangements.**

    Foreign ownership of certain industries in China is subject to restrictions under current PRC laws and regulations. For example, with the exception of qualified service providers in Hong Kong, Macau and Taiwan, foreign investors are not allowed to own 100% equity in medical institutions.

    According to the PRC legal advisor, except for those disclosed in the section "Legality of the Contractual Arrangements", the Contractual Arrangements are legal, effective, enforceable and binding on the parties in accordance with current laws and regulations. However, the PRC legal advisor also advised the Group that there are significant uncertainties in the interpretation and application of current or future PRC laws and regulations. In addition, a number of Chinese courts ruled that certain contractual agreements were invalid, believing that the intent of which was to circumvent China's foreign investment restrictions and violated the Civil Code of the People's Republic of China. Therefore, there is no guarantee that the Chinese government will eventually adopt a view consistent with the opinions of the Group's PRC legal advisor.

    The Foreign Investment Law of the People's Republic of China ("**Foreign Investment Law**") have come into effect on 1 January 2020. According to the Foreign Investment Law, "foreign investment" refers to investment activities directly or indirectly carried out by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"), including:

    a. Foreign Investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors;

    b. Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises;

    c. Foreign Investors investing in new projects in the PRC alone or collectively with other investors; and

    d. Foreign investment by laws, regulations, or other methods prescribed by the State Council of the People's Republic of China ("**State Council**"). However, the interpretation and application of the Foreign Investment Law is still uncertain. In addition, the Foreign Investment Law states that foreign investment includes "foreign investment in other ways prescribed by laws, administrative regulations or the State Council."

The Group cannot assure the investors that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements.

If the Group's ownership structure, Contractual Arrangements and business or that of WFOE, the Corporate Shareholder of OPCO or OPCO are found to be in violation of any existing or future PRC laws or regulations, or the Group fails to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

- levying fines on the Group;
- confiscating the Group's income or the income of WFOE, the Corporate Shareholder of OPCO or OPCO;
- revoking the Group's business licenses and/or operating licenses;
- shutting down the Group's institutions;
- discontinuing or placing restrictions or onerous conditions on the Group's operations, requiring the Group to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to the Group's business.

Any of these actions could cause significant disruption to the Group's business operations and severely damage the Group's reputation, which would result in the Group failing to receive all or part of the economic benefits from the Corporate Shareholder of OPCO and OPCO, which in turn may materially and adversely affect the Group's business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to the Group's corporate structure and the Contractual Arrangements.

In addition, if any equity interest held by Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) in the Corporate Shareholder of OPCO and any equity interest held by the Corporate Shareholder of OPCO in OPCO is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, the Group cannot assure the investors that the equity interest will be disposed of to the Group in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect the Group's business, financial condition and results of operations.

2. **The Contractual Arrangements may result in adverse tax consequences to the Group.**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not made on an arm's length basis and adjust the income and expenses of the Group for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect the Group by (i) increasing the tax liabilities of OPCO without reducing the tax liabilities of WFOE or the Corporate Shareholder of OPCO, which could further result in late payment fees and other penalties to OPCO for underpaid taxes; or (ii) limiting the ability of OPCO to obtain or maintain preferential tax treatments and other financial incentives.

3. **Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition.**

The Group's control over the Corporate Shareholder of OPCO as well as the equity interest in OPCO to be held by the Corporate Shareholder of OPCO is based upon the Contractual Arrangements with, among others, the Corporate Shareholder of OPCO and Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲). Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) may potentially have a conflict of interest with the Group, and they may breach their agreements with the Group or if they otherwise act in bad faith, if they believe the Contractual Arrangements would adversely affect their own interests. The Group cannot assure the investors that when conflicts of interest arise between the Group and Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲), Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) will act completely in the Group's interests or that the conflicts of interest will be resolved in the Group's favor. If Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) do not act completely in the Group's interests or the conflicts of interest between the Group and them are not resolved in the Group's favor, the Group's business and financial condition may be materially and adversely affected.

Currently, the Group does not have arrangements to address the potential conflicts of interest faced by the ultimate beneficial owners of the Corporate Shareholder of OPCO in their dual capacity as beneficial owners of the Group. The Group relies on the ultimate beneficial owners of the Corporate Shareholder of OPCO to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to the Group and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to the Group's best interests. However, the legal frameworks of the PRC and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime.

In addition, Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) may breach or refuse to renew, or cause the Corporate Shareholder of OPCO to breach or refuse to renew the Contractual Arrangements with the Group. If the Corporate Shareholder of OPCO or Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) breach their agreements with the Group or otherwise have disputes with the Group, the Group may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract the Group management's attention, adversely affect the Group ability to control the Corporate Shareholder of OPCO as well as the equity interests in OPCO to be held by the Corporate Shareholder of OPCO and otherwise result in negative publicity and adversely affect the reputation of the Group's in-network hospitals. The Group cannot assure the investors that the outcome of any such dispute or proceeding will be in the Group's favor.

4. The Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Corporate Shareholder of OPCO and Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) may fail to perform their obligations under the Contractual Arrangements.

The Group relies on the Contractual Arrangements with the Corporate Shareholder of OPCO, OPCO and Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) to control all or any part of equity ownership interests in OPCO.

Although the Group is advised by the PRC legal advisor that, the Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, the Contractual Arrangements may not be as effective in providing us with control over the Corporate Shareholder of OPCO as direct ownership. Direct ownership would allow the Group, for example, to directly or indirectly exercise the Group's rights as a shareholder to effect changes in the board of directors of the Corporate Shareholder of OPCO, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If the Corporate Shareholder of OPCO or Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) fail to perform their respective obligations under the Contractual Arrangements, the Group may incur substantial costs and expend substantial resources to enforce the Group's rights. All of the Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit the Group's ability to enforce the Contractual Arrangements. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Corporate Shareholder of OPCO or the OPCO, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief or to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

In the event the Group is unable to enforce the Contractual Arrangements or the Group experiences significant delays or other obstacles in the process of enforcing the Contractual Arrangements, the Group may not be able to exert effective control over the Corporate Shareholder of OPCO/OPCO and may not prevent leakage of equity and values to the minority shareholder of the OPCO or obtain the full economic benefits of the same. The Group's ability to conduct the business may be negatively affected.

5. If the Group exercises the option to acquire equity interests of the Corporate Shareholder of OPCO or OPCO, the related share ownership transfer may subject the Group to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, WFOE or its designated person(s) has/have the exclusive right to purchase all or any part of the equity interests in the Corporate Shareholder of OPCO from Wang Duan (王端), Wang Yi (王毅) and Wang Xueyun (王雪雲) and purchase all or any part of the equity interests in OPCO from the Corporate Shareholder of OPCO at the minimum consideration permitted under then applicable PRC laws at that time. The equity transfer may be subject to approvals from and filings with the MOFCOM or its local counterparts. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax authority. Such tax amounts could be substantial and the Group's financial condition may be adversely affected as a result.