
CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain agreements and arrangements with certain individual and entities that will, upon the [REDACTED], become our connected persons (as defined under Chapter 14A of the Listing Rules). Following the [REDACTED], the transactions contemplated under such agreements will constitute our continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The table below sets forth the parties who will become our connected persons upon [REDACTED] and the nature of their relationship with our Group:

<u>Name of our connected persons</u>	<u>Connected Relationship</u>
Mr. Zou	Mr. Zou Qifang is our executive Director, chairman and chief executive officer as well as a Controlling Shareholder, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Ms. Zou	Ms. Zou Lifang is the sister of Mr. Zou, and therefore a connected person of our Company under Rule 14A.07 of the Listing Rules.
Hangzhou Jarvis (together with its subsidiaries including Hangzhou Shengchao Medical Technology Company Limited* (杭州盛朝醫療科技有限公司), “Hangzhou Jarvis Group”)	Hangzhou Jarvis Medical Technology Company Limited* (杭州佳沃思醫療科技有限公司) is owned as to approximately 65% by Ms. Zou Jin, the daughter of Mr. Zou, and is therefore an associate of Mr. Zou and a connected person of our Company under Rule 14A.07 of the Listing Rules.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual caps for the year ending March 31,		
			2022	2023	2024
			(RMB'000)	(RMB'000)	(RMB'000)
Non-exempt continuing connected transactions					
Medical Product Procurement Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	22,000	33,000	39,000
Contractual Arrangements	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from (i) announcement requirement, circular and independent shareholders' approval requirements; (ii) setting annual cap; and (iii) limiting the period of agreement to a fixed term	N/A	N/A	N/A

Non Exempt Continuing Connected Transactions

Medical Product Procurement Framework Agreement

Principal terms

Our Company entered into a Medical Product Procurement Framework Agreement with Hangzhou Jarvis on [●] 2021, pursuant to which we agreed to procure medical products such as protective gown and teeth whitening gel from Hangzhou Jarvis Group.

The term of the Medical Product Procurement Framework Agreement is three years commencing from the [REDACTED]. We have the right to terminate the Medical Product Procurement Framework Agreement by serving a thirty (30) Business Days' prior written notice to Hangzhou Jarvis.

CONNECTED TRANSACTIONS

Historical amounts

For the three years ended March 31, 2019, 2020, 2021 and the six months ended September 30, 2021, the total amount of procurement made by our Group to Hangzhou Jarvis Group was approximately RMB0 million, RMB7.04 million, RMB16.03 million and RMB11.42 million, respectively.

Annual cap

For the three years ending March 31, 2022, 2023 and 2024, the total amount payable by our Group to Hangzhou Jarvis Group under the Medical Product Procurement Framework Agreement is not expected to exceed RMB22 million, RMB33 million and RMB39 million, respectively.

Basis of annual cap

The above proposed annual caps are set based on the following factors: (i) the historical transaction amount paid by our Group to Hangzhou Jarvis Group during the Track Record Period; (ii) the expected need of our Company for the relevant medical products at approximately 25% yearly increment, which is in line with the estimated growth rate of the business of the Group; and (iii) the expansion plan of our Group in the future.

Pricing policy

The procurement price is on normal commercial terms as determined based on arm's length negotiation between the parties with reference to the prevailing market price of similar medical products supplied by other independent suppliers in the market taking into account the quality of the products and its logistics capabilities. We will obtain quotation from not less than two independent suppliers that provide similar medical products through our customized e-platform for procurement before we place our orders to Hangzhou Jarvis Group. Based on the fee quotes provided by other independent suppliers and taking into account other factors such as unit price, type of products, scope of services and delivery arrangement, we will be able to ensure that the purchase price to be paid to Hangzhou Jarvis Group by our Group represents the prevailing market price and on normal commercial terms.

Reasons for and benefits of the transactions

Hangzhou Jarvis Group has good reputation in providing various medical products with good quality and logistics capabilities. The founding group of Hangzhou Jarvis Group has extensive experience in supply chain management. The clinics under our Group have been using the medical products provided by Hangzhou Jarvis Group given the convenience resulted from the good working relationship between the parties as well as their logistics capabilities throughout the PRC. The self-developed supply chain system of Hangzhou Jarvis Group, as

CONNECTED TRANSACTIONS

upgraded from time to time and even customized for the Group, has been performing well and fits the commercial needs of the Group during previous business cooperation. It is crucial to maintain a legal, stable and quality supply of medical products for our Group’s existing and future operation. Hangzhou Jarvis Group is a reliable supplier and can efficiently fulfill our Group’s requirements with stable and quality supply of medical products.

Listing Rules Implications

As the applicable percentage ratios (other than the profit ratio) for the transactions contemplated under the Medical Product Procurement Framework Agreement will not exceed 5%, the transactions conducted under the Medical Product Procurement Framework Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders’ approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

As disclosed in the section headed “Contractual Arrangements”, the business operations of the VIE Entities constitute a business restricted to foreign investment in the PRC. Therefore, we cannot directly acquire the entire equity interest in the VIE Entities. In light of such restriction and in order to exercise effective control over our VIE Entities, we have entered into the Contractual Arrangements with Shenzhen Ruijian and the Registered Shareholder (namely, Ms. Zou) and others on August 20, 2020, pursuant to which our Group receives substantially all of the economic benefits from our VIE Entities in consideration for the services provided by Beijing Ruier to the VIE Entities; (ii) exercise effective control over our VIE Entities through the Beijing Ruier; and (iii) hold an exclusive option to purchase all or part of the equity interests in Shenzhen Ruijian when and to the extent permitted by the PRC laws.

See the section headed “Contractual Arrangements” in this document for details of the key terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group’s legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms

CONNECTED TRANSACTIONS

more favorable to our Group in the ordinary and usual course of our Group’s business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

WAIVER APPLICATIONS

Medical Product Procurement Framework Agreement

By virtue of Rule 14A.76(2) of the Listing Rules, the transactions under Medical Product Procurement Framework Agreement will constitute continuing connected transactions subject to reporting, annual review, announcement but exempt from circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement requirement would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirement in respect of the above non-exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the non-exempt continuing connected transactions. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

The Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the

CONNECTED TRANSACTIONS

Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange subject however to the following conditions:

(a) *No change without independent non-executive Directors’ approval*

No changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) *No Change without Independent Shareholders’ Approval*

Save as described in paragraph (d) below, no changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders’ approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed.

The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (c) below) will however continue to be applicable.

(c) *Economic Benefits Flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the VIE Entities through: (i) our Group’s potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the VIE Entities; (ii) the business structure under which the net profits generated by the VIE Entities (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to Beijing Ruier under the Exclusive Operation Services Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the VIE Entities.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the VIE Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as described under the section headed “Contractual Arrangements” in this document. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating

CONNECTED TRANSACTIONS

company (including branch company) engaging in the same business as that of our Group which our Group may establish when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group’s connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing Reporting and Approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- (i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- (ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our annual report and accounts for the relevant year that:
 - (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;
 - (ii) no dividends or other distributions have been made by the VIE Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
 - and (iii) any new contracts entered into, renewed or reproduced between our Group and the VIE Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.
- (iii) Our auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the VIE Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.
- (iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person” the VIE Entities will be treated as the Company’s wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the VIE Entities and its associates will be treated as the Company’s “connected persons.” As such, transactions between these connected persons and our Group (including, for this purpose, the VIE Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

The VIE Entities further undertake that, for so long as the Shares are [REDACTED] on the Stock Exchange, the VIE Entities will provide our Group’s management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors’ on the connected transactions.

CONFIRMATION FROM THE DIRECTORS

Our Directors, including the independent non-executive Directors, are of the view that the continuing connected transactions as set out above have been entered into in our ordinary and usual course of business and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the proposed annual caps for those transactions (as applicable) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Further, our Directors are also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above non-exempt continuing connected transactions, (ii) obtained necessary representations and confirmations from the Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group, our independent industry consultant, and our PRC Legal Advisers. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions have been and will be entered into in the ordinary and usual course of our Company’s business, on normal commercial terms, are fair and reasonable and in the interest of our Company and our Shareholders as a whole. Further, the Joint Sponsors are also of the view that with respect to the terms of the Contractual Arrangements, which is of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.