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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Set out below is the text of a letter received from Zero2IPO Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Sales of Medical Devices Framework Agreement and the proposed annual caps, which has been prepared for the purpose of incorporation in the circular.*



Unit No. 1506B, Level 15,  
International Commerce Centre,  
1 Austin Road West, Kowloon, Hong Kong

November 20, 2024

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs/Madams,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SALES OF MEDICAL DEVICES FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Renewed Sales of Medical Devices Framework Agreement and the proposed annual caps (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated November 20, 2024 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise. We recommend the Independent Board Committee to advise the Independent Shareholders to read this Circular carefully before they decide to vote for or against the Renewed Sales of Medical Devices Framework Agreement and the Annual Caps.

With reference to the Board Letter, on October 18, 2024 (after trading hours), the Company entered into the Renewed Sales of Medical Devices Framework Agreement for a term of three years with Lepu Medical to renew the Sales of Medical Devices Framework Agreement, commencing from the 1 January 2025 to December 31, 2027. Pursuant to the Renewed Sales of Medical Devices Framework Agreement, the Group agreed to sell medical devices to Lepu Medical, including but not limited to dialyzers, dialysis machine, insulin injection needles and pens, infusion sets, intravenous cannulas, positive pressure connectors and other medical devices.

Lepu Medical is a limited liability company established in the PRC on June 11, 1999, the shares of which are listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003). As of the date of this circular, although Dr. Pu did not control more than 30% shareholding of Lepu Medical and was not able to control the majority of the composition of the board of Lepu Medical, the Company considers Lepu Medical as an associate of Ms. Yue’e Zhang,

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the executive Director, because Dr. Pu, the spouse of Ms. Yue'e Zhang, is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Therefore, Lepu Medical is a connected person of the Company and Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee consisting of all the independent non-executive Directors, namely Mr. Wang Xiaogang, Mr. Chen Geng and Ms. Wang Fengli has been formed for the purposes of advising the Independent Shareholders in respect of the continuing connected transactions contemplated under the Renewed Sales of Medical Devices Framework Agreement (including the Annual Caps) and whose views and recommendation will be included in the Circular. We, Zero2IPO Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Ms. Yue'e Zhang abstained from voting on the approval of the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the Board meeting due to the fact that Lepu Medical is an associate of Ms. Yue'e Zhang. Save as disclosed above, no other Director had any material interest in the Renewed Sales of Medical Device Framework Agreement. Accordingly, no other Director was required to abstain from voting on the relevant Board resolutions to approve the Renewed Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

### OUR INDEPENDENCE

Zero2IPO Capital Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the SFO. We were appointed as the independent financial adviser in 2022 to advise the independent board committee and the independent shareholders for the fairness and reasonableness of the continuing connected transaction in relation to sales of medical devices framework agreement for the three years ending December 31, 2024 between the Company and Lepu Medical. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, Lepu Medical or any other parties that could be reasonably regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. Apart from the advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

### BASIS OF OUR OPINION

In formulating our opinion regarding the Renewed Sales of Medical Devices Framework Agreement and the Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the Directors, the management of the Group (the "Management") and the management of Lepu Medical who is responsible for the business of sale

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medical devices to Lepu Medical (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have reviewed currently available information and documents, among others: (i) the Sales of Medical Devices Framework Agreement and the Renewed Sales of Medical Devices Framework Agreement; (ii) the Announcement; (iii) the annual reports of the Company for the year ended 31 December 2023 (the “**2023 Annual Report**”); (iv) the interim reports of the Company for six months ended 30 June 2024 (the “**2024 Interim Report**”); (v) the internal control measures governing connected transactions of the Group; (vi) other information as set out in the Circular; and relevant market data and information available from public source which are made available to us and enable us to reach an informed view and justify our reliance on the information provided so as to provide a reasonable basis for our advice. We also held discussion with and the management of Group and the management of Lepu Medical who is responsible for the business of sale medical devices to Lepu Medical from time to time. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or prospects of the Group, Lepu Medical, the parent group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering the Renewed Sales of Medical Devices Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation

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to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have considered in assessing the Renewed Sales of Medical Devices Framework Agreement (including the Annual Caps) in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

#### Information on the Group

According to the Board Letter, the Group is principally engaged in the R&D, manufacturing and sales of (i) advanced infusion set, intravenous cannula products, insulin needles etc., (ii) blood purification medical devices, and (iii) animal-derived regenerative medical biomaterial and human tissue repair alternative products in the PRC.

The table below sets forth a summary of the financial highlights of the Group for the two years ended 31 December 2023 as extracted from the 2023 Annual Report and for the 6 months ended 30 June 2023 and 2024 from the 2024 Interim Report respectively.

	For the year ended December 31, 2022 (RMB'000) (Audited)	For the year ended December 31, 2023 (RMB'000) (Audited)	For 6 months ended June 30, 2023 (RMB'000) (Unaudited)	For 6 months ended June 30, 2024 (RMB'000) (Unaudited)
Total Revenue	536,826	675,084	319,015	338,417
— Infusion Set Business	248,491	281,063	131,848	132,618
— Blood Purification Business	288,335	394,021	187,167	205,799
Profit for the year	128,867	205,023	96,873	93,639

#### Comparison between 6 months ended June 30, 2023 and 2024

With reference to the 2024 Interim Report, the revenue of the Group increased by 6.1% from approximately RMB319.0 million for the six months ended June 30, 2023 to approximately RMB338.4 million for the same period in 2024, as a result of the increase in sales of its blood purification business. Revenue from its infusion set business amounted to approximately RMB132.6

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million for the six months ended June 30, 2024, representing a slight increase of 0.6% from the same period in 2023. Revenue from its blood purification business for the six months ended June 30, 2024 amounted to approximately RMB205.8 million, representing an increase of 10.0% compared to approximately RMB187.2 million for the same period in 2023. The increase was mainly contributed by the increased market demand and the expansion of sales network for core products, particularly for the rapid growth in sales of hemoperfutor products and export sales.

The profit for the period of the Group was approximately RMB93.6 million for the six months ended June 30, 2024, representing a decrease of 3.3% from RMB96.9 million for the same period in 2023. The decrease was mainly due to decreases of operating profit and increase of income tax expenses, partially offset by the increase of finance income. The decreases of operating profit was mainly due to (i) the decrease of the operating profit generated from its blood purification business from approximately RMB66.2 million for the six months ended June 30, 2023 to approximately RMB60.6 million for the same period in 2024 mainly due to the decrease of government subsidies and the increase of share-based compensation expenses; and (ii) the increase in the operating loss generated from its regenerative medical biomaterials business from approximately RMB11.4 million for the six months ended June 30, 2023 to approximately RMB13.6 million for the same period in 2024 due to the increase in administrative and R&D expenses.

### *Comparison between the year ended 31 December 2022 and 2023*

With reference to the 2023 Annual Report, the revenue for 2023 amounted to approximately RMB675.1 million, representing an increase of 25.8% from approximately RMB536.8 million recorded in 2022. The increase was primarily as a result of the increase in sales of its infusion set business and blood purification business. The Group completed the acquisition of its blood purification business on February 28, 2022, and consolidated the results of this business segment from March 1, 2022. Therefore, the Group's consolidated statement of profit or loss for the year ended December 31, 2022 includes figures for this segment for ten months, while for the year 2023, it included results for twelve months. Revenue from its blood purification business for 2023 amounted to approximately RMB394.0 million, representing an increase of 36.7% compared to approximately RMB288.3 million for the ten-month period ended December 31, 2022 (the period after the completion of the acquisition). Revenue from its infusion set business amounted to approximately RMB281.1 million for 2023, representing an increase of 13.1% from 2022, which was mainly due to the increase in sales volume as a result of recovery of the hospital traffic in the PRC in 2023.

The profit for the year of the Group and profit attributable to owners of the Company was approximately RMB205.0 million and RMB153.2 million in 2023, representing an increase of 59.1% and 44.5% from 2022, respectively. Such increase was mainly due to: (i) the increase of the operating profit generated by its blood purification business from approximately RMB76.3 million for the ten-months post acquisition period during 2022 to approximately RMB137.3 million for the year ended December 31, 2023 due to the increase of sales and other income; and (ii) the increase of the operating profit generated by the group headquarters and the infusion set business from

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approximately RMB68.0 million in 2022 to approximately RMB75.2 million in 2023 due to the increase of sales, and the decrease of general and administrative expenses, which was partially offset by the decrease of net foreign exchange gain.

### Information on Lepu Medical

Lepu Medical is a limited liability company established in the PRC on June 11, 1999, the shares of which are listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003) and is a leading cardiovascular health industry platform in China, with its main business covering three major sectors: medical device, pharmaceutical, medical service and health management. As of the date of this circular, Lepu Medical was ultimately controlled as to 24.23% by Dr. Pu, together with the parties acting in concert with him. Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Dr. Pu is the spouse of Ms. Yue'e Zhang, the executive Director.

The table below sets forth a summary of the financial highlights of Lepu Medical for the two years ended 31 December 2023 as extracted from the annual report for the year ended 31 December 2023 and for the 6 months ended 30 June 2023 and 2024 from the interim report for 6 months ended 30 June 2023 and 2024 respectively.

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2023</b>	<b>For 6 months ended June 30, 2023</b>	<b>For 6 months ended June 30, 2024</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>PRC GAAP</i>	<i>PRC GAAP</i>	<i>PRC GAAP</i>	<i>PRC GAAP</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	10,609,442	7,979,899	4,301,458	3,383,887

### Comparison between 6 months ended 30 June 2023 and 2024

With reference to 2024 interim report of Lepu Medical, the revenue for 6 months ended June 30, 2024 decreased by 32.3% from approximately RMB4,301.5 million for six months ended June 30, 2023 to approximately RMB3,383.9 million for the same period in 2024. Such decrease was primarily due to the decrease of revenue generated from pharmaceutical segment and medical services and health management segment which partially offset by an increase of 16.9% in the revenue generated from medical device segment.

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### *Comparison between the years ended 31 December 2022 and 2023*

With reference to 2023 annual report of Lepu Medical, the revenue for 2023 decreased by 24.8% from approximately RMB10,609.4 million in 2022 to approximately RMB7,979.9 million in 2023. The decrease was primarily because the revenue of medical devices segment decreased by approximately 37.5% from RMB5,878.8 million in 2022 to RMB3,674.3 million in 2023 as result of the decline in revenue of in-vitro diagnostic service.

In light of the above, we are of the view that, considering the continuous growth of the revenue of the Company for the year ended December 31, 2023 and for the 6 months ended June 30, 2024, due to the growth of its blood purification business and infusion set business, and the increase in the revenue generated from medical device segment by Lepu Medical for the 6 months ended June 30, 2024, the continuous development of the business of the Company and Lepu Medical would support the growth of the amount of transactions under the Renewed Sales of Medical Devices Framework Agreement and the Group will be benefited by entering into the Renewed Sales of Medical Devices Framework Agreement for its continuing development.

### **Reasons and benefits of entering into the Renewed Sales of Medical Devices Framework Agreement and the Annual Caps**

As the Sales of Medical Devices Framework Agreement dated July 5, 2022 will expire on December 31, 2024. With reference to the Board Letter, The Company considers that the Renewed Sales of Medical Devices Framework Agreement will be beneficial to the Company's business development for the following reasons:

- (i) Lepu Medical Group has sales channels covering over 80 countries and regions. Leveraging on Lepu Medical's well-established product distribution network globally, entering into the Renewed Sales of Medical Devices Framework Agreement would facilitate the distribution and sales of the Group's products, which would not only provide a stable source of income to the Group and contribute to the implementation of the Group's sale plan but also enhance the brand value and overseas market influence of the Company;
- (ii) entering into the Renewed Sales of Medical Devices Framework Agreement will allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group; and
- (iii) the continuation of the sales of medical devices will provide a stable source of income for the Group.

According to the discussion with the management of the Group, we understand that over 98% of the sales of medical devices transaction amount to Lepu Medical from the Group in 2022, 2023 and the 9 months ended September 30 2024 was from Sichuan Ruijian Medical, a subsidiary of the Group, and the rest of the transaction amount which below 2% was from Beijing Fert Technology

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Co., Ltd (“**Beijing Fert**”), a subsidiary wholly owned by the Company. Sichuan Ruijian Medical has a stable business relationship with Lepu Medical for over five years. In 2019, Sichuan Ruijian Medical entered into a distribution agreement for sales of dialyzer products of its own OCI brand in India with Lepucare (India), a subsidiaries of Lepu Medical, considering the mature distribution network of medical devices of Lepu Medical in India. Such transaction arrangements have formed part of the daily operation of Sichuan Ruijian Medical since 2019. The historical amount received by Sichuan Ruijian Medical from Lepu Medical for 2022, 2023 and 9 months ended September 30, 2024 were approximately RMB15.9 million, RMB24.8 million and RMB26.3 million, respectively. With the increase in sales, the brand value and overseas brand awareness of dialyzers of OCI has been enhanced, especially in India. Considering Sichuan Ruijian Medical and Lepu Medical has long-term, stable business relationship and are mutually familiar with each other’s business demand, we concur with the Director that maintaining a stable and quality business relationship with Lepu Medical will facilitate current and future business operation of the Company.

Having considered that (i) the sales form part of the daily operation of the Company, especially Sichuan Ruijian Medical; (ii) the Group shall be rendered stable source of income with the pricing terms that are no less favourable than available to the independent third-party customers; and (iii) it would enhance the brand value and overseas market influence of the Company, we concur with the Directors’ view that the transactions under the Renewed Sales of Medical Devices Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and does not consider there to be any material disadvantage to the Group in relation to the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder.

### **Principal Terms of the Renewed Sales of Medical Devices Framework Agreement**

The principal terms of the Renewed Sales of Medical Devices Framework Agreement are summarized as below:

#### *Date*

October 18, 2024 (after trading hours)

#### *Parties*

- (1) The Company; and
- (2) Lepu Medical

#### *Subject matter*

The Group agreed to sell medical devices to Lepu Medical Group, including but not limited to dialyzers, dialysis machine, insulin injection needles and pens, infusion sets, intravenous cannulas, positive pressure connectors and other medical devices.



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The members of both of the Group and Lepu Medical Group may enter into individual sales of medical devices agreements setting out specific terms of sales of medical devices, including the medical devices to be sold, price determination method, delivery method and payment arrangement. Such terms shall be on normal commercial terms (i.e. the transaction is on an arm's length basis or terms no less favourable to the Group than terms available to independent third parties) and consistent with the principles and the terms of the Renewed Sales of Medical Devices Framework Agreement.

Lepu Medical Group shall make full payment in cash within a certain period of time upon receipt of the medical devices from the Group. Before entering into individual sales of medical devices agreements with Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement, the Company will review and ensure the payment terms of such individual sales of medical devices agreements are on normal commercial terms. The credit period offered by the Group to Lepu Medical Group is generally 120 days. However, depending on a number of reasons including (i) past settlement record; (ii) financial standing of the customer; and (iii) size of the orders placed by the customer, the credit period offered may accordingly be lengthened or shortened. The credit period of sales of medical devices under the Renewed Sales of Medical Devices Framework Agreement provided to Lepu Medical Group will not be longer than those of comparable medical devices products offered to the independent third party purchasers in comparable markets. The Group's accounting department monitors settlement status of customers, especially overdue status of trade receivables. In the event of prolonged overdue, the Group would determine follow-up actions to collect such overdue payment, such as communication with the customers and sending payment reminders.

### *Term*

The term of the Renewed Sales of Medical Devices Framework Agreement will commence from the January 1, 2025 to December 31, 2027, subject to the approval by the Independent Shareholders at the EGM. The Renewed Sales of Medical Devices Framework Agreement is also subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

### *Pricing policy*

The prices of the medical devices purchased by Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement shall be determined with reference to the quantity of orders, the brand of products (e.g. self-branded products or OEM products) and the prevailing market prices of comparable medical devices from at least two independent third parties. The prices and other terms of the Group's sales of medical devices to Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

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In order to ensure that the terms of the transaction under the Renewed Sales of Medical Devices Framework Agreement are fair and reasonable and in line with market practices, and that the terms of the transaction will be no less favorable to the Group than the terms of transactions between the Group and independent third parties, the Group has maintained regular contact with other medical devices companies in the market to keep abreast of market developments and the price trend of comparable products.

The Company will review and compare the unit prices of the comparable products offered by the Group to Lepu Medical Group with at least two recent transaction records of comparable products offered by the Group to independent third-party customers, if available before entering into individual sales of medical devices agreements with Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement. The prices of comparable products provided to Lepu Medical Group will not be lower than those offered to independent third-party customers. In the event that the transaction records of comparable products offered by the Group to independent third-party customers were not available, the Company would obtain the quotations for such products from at least two independent third-party purchasers at arm's length negotiation and compare the unit prices offered to Lepu Medical Group with such at least two quotation records from independent third-party purchasers before entering into individual sales of medical devices agreements with Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement. The prices of comparable products provided to Lepu Medical Group will not be lower than the quotations obtained from the independent third-party purchasers.

To assess the fairness and reasonableness of the pricing and terms of the Renewed Sales of Medical Devices Framework Agreement, we have discussed with the management of the Group, the approach that they will adopt when determining the pricing for products under the Renewed Sales of Medical Devices Framework Agreement. We are given to understand that during the historical period from January 1, 2022 to September 30, 2024, the Group has maintained regular contact with other third party medical devices companies rather than Lepu Medical in the market to keep abreast of market developments and the price trend of comparable products and therefore it is applicable to obtain quotations from at least two independent third parties before conducting the connected transaction. The Group has also set up internal control procedures for the connected transaction. Details please see below chapter of "Internal Control System For Continuing Connected Transactions".

We have reviewed the Renewed Sales of Medical Devices Framework Agreement and not aware of any material differences between the Renewed Sales of Medical Devices Framework Agreement and the Board Letter. We have also compared the Renewed Sales of Medical Devices Framework Agreement with the Sales of Medical Devices Framework Agreement dated July 5, 2022, and not aware of any material difference on the pricing and terms thereof. In relation to the sales of self-branded dialyzer products, as confirmed by the management of the Company and the management of Sichuan Ruijian Medical, we noted that during the historical period of 2022 to 2024, except for Lepu Medical, Sichuan Ruijian Medical did not sell self-branded dialyzer products to any other independent third parties in the Indian market.

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As confirmed by the management of the Company and the management of Sichuan Ruijian Medical, the actual transaction amount of dialyzers between Sichuan Ruijian Medical and Lepu Medical for the historical period of 2022, 2023 and the 9 months ended September 30, 2024, was approximately RMB15.7 million, RMB24.5 million and RMB26.2 million, respectively. For our due diligence purpose, we have obtained (i) the full transaction list of Sichuan Ruijian Medical's sales to Lepu Medical and randomly selected three transactions for each 2022, 2023 and 9 months ended September 30, 2024 and reviewed the contracts of the selected 9 transactions, those 3 contracts for each 2022, 2023 and 9 months ended September 30, 2024(9 contracts in total) entered into between Sichuan Ruijian Medical and Lepu Medical which is a fair and representative sample and the terms of such contracts, including but not limited to product description, prices, quantities, transaction amount and purchase and credit terms as each contract contained one or multiple different models of dialyzers, and those 9 contracts covered most of different models of dialyzer sold by the Sichuan Ruijian Medical to Lepu Medical; (ii) 12 quotation records for the self-branded dialyzer products of Sichuan Ruijian Medical from Independent Third Parties at the relevant time.

On the basis of our review, we noted that (i) the quoted prices in twelve quotation records of the self-branded dialyzer products to the potential customers in India which are Independent Third Parties between the historical period of 2022, 2023 and 9 months ended September 30, 2024 were ranging from USD3.0 to US\$3.4 per unit, ranging from US\$3.0 to US\$3.4 per unit and ranging from US\$3.0 to US\$3.4 per unit, respectively, while the price range of the self-branded dialyzer products sold to Lepu Medical under the 9 transaction that we randomly selected was from US\$3.0 to US\$3.4 per unit at the relevant time and the pricing of the self-branded dialyzer products which Sichuan Ruijian Medical sold to Lepu Medical is not less favourable than that of the 12 quotation records for the self-branded dialyzer products from the potential customers which are the Independent Third Parties in the same model; and (ii) the quoted payment duration of twelve quotation records of the self-branded dialyzer products to the potential customers in India which are Independent Third Parties between the historical period of 2022, 2023 and 9 months ended September 30, 2024 were 120 days, 120 days and 120 days, respectively, while the payment duration of the transactions of self-branded dialyzer products sold to Lepu Medical at the relevant time was 120 days and the payment terms of the self-branded dialyzer products which Sichuan Ruijian Medical sold to Lepu Medical is not less favourable than that of the quotations for the self-branded dialyzer products from the potential customers which are the Independent Third Parties. And there is no dissimilarities among the comparables or anomalous items, thus there is no extra adjustments on the pricing policy.

On the basis of our review, we noted that the pricing of the medical device accessories which the Company sold to Lepu Medical between the historical period of 2022 to 2024 is not less favourable than the quotations of the medical device accessories from other medical devices companies which are independent third party during the same period.

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Considering (i) the key pricing terms under the Renewed Sales of Medical Devices Framework Agreement will be no less favorable to the Group than the terms of transactions between the Group and Independent Third Parties and the Group is able to identify quotations from Independent Third Parties; (ii) the internal control measures as discussed below; and (iii) the pricing of the self-branded medical devices were not less favourable than the quotations for the self-branded medical devices from the potential customers which are the Independent Third Parties and within the price range of the comparable products from other medical devices companies in the market, we concur with the Directors that the terms of the Renewed Sales of Medical Devices Framework Agreement are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

### The Annual Caps and Basis of Determination

The table below sets out the annual caps for the total amount payable by Lepu Medical Group to the Group under the Renewed Sales of Medical Devices Framework Agreement for each of the three years ending December 31, 2025, 2026 and 2027, respectively:

*Proposed Annual Caps for the years ended 31 December:*

	2025	2026	2027
	RMB	RMB	RMB
Sales of medical devices by the Group to Lepu Medical through Sichuan Ruijian Medical	57,000,000	63,000,000	70,000,000
Sales of medical devices by the Group to Lepu Medical through Beijing Fert	10,000,000	10,000,000	10,000,000
Buffer	<u>6,000,000</u>	<u>7,000,000</u>	<u>8,000,000</u>
Total	<u>73,000,000</u>	<u>80,000,000</u>	<u>88,000,000</u>

As stated in the Board Letter, the estimated annual caps for the aggregate amount receivable by the Group from the Lepu Medical Group were determined with reference to:

- (1) the historical amount received by Sichuan Ruijian Medical from Lepu Medical Group for the two years ended December 31, 2023 and the period from January 1, 2024 to September 30, 2024;
- (2) the estimated demand of dialyzers, dialysis machine and other medical devices (the "Dialyzers Products") by Lepu Medical Group for the three years ending December 31, 2027. The estimated sales of the Dialyzers Products to Lepu Medical Group through Sichuan Ruijian Medical are expected to be approximately RMB57 million, RMB63 million and RMB70 million for the years ending December 31, 2025, 2026 and 2027 based on the estimated volume of demand for the Dialyzers Products from Lepu Medical

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Group and the estimated unit price. The estimated unit price of the Dialyzers Products is expected to range from US\$2.5 to US\$3.0 per unit for the three years ending December 31, 2027. The expected significant increase of Lepu Medical Group's demand for the Dialyzers Products is primarily due to the recent business expansion of Lepu Medical Group in the Indian market, driven by an increase in the number of distributors and the growing demand from the distributors' downstream customers, including subdistributors and hospitals. Sichuan Ruijian Medical recorded rapid growth in sales volume of the Dialyzers Products to Lepu Medical Group in August and September 2024. From January to July 2024, Sichuan Ruijian Medical sold an average of approximately 113 thousand Dialyzers Products per month to Lepu Medical Group. However, in August and September 2024, the sales volume reached 236 thousand units and 209 thousand units, respectively. Considering the sales volume of the Dialyzers Products by Sichuan Ruijian Medical to Lepu Medical Group in August and September 2024 and assuming an expected growth rate of around 10% in Lepu Medical Group's sales in India, the sales volumes of the Dialyzers Products for the year ending December 31, 2025 is estimated to range from 2.7 million units to 3.2 million units;

- (3) the estimated demand of insulin injection needles and pens, infusion sets, intravenous cannulas, positive pressure connectors and other medical devices (the "**Infusion Sets Products**") by Lepu Medical Group for the three years ending December 31, 2027. The estimated sales of the Infusion Sets Products to Lepu Medical Group are expected to be approximately RMB10 million based on the estimated volume of demand for the Infusion Sets Products from Lepu Medical Group and the estimated unit price. The volume of demand of the Infusion Sets Products from Lepu Medical is estimated to be 0.2 million units of medical injection devices and 0.7 million injection needles for each of the three years ending December 31, 2027 based on the projection of Lepu Medical. The expected significant increase of Lepu Medical Group's demand for the Infusion Sets Products is primarily driven by Lepu Medical Group's future business expansion in the sales of medicines for chronic diseases. The research and development of these medicines is expected to generate a significant potential demand for the Infusion Sets Products; and
- (4) estimated buffer for fluctuation of market prices and change in specifications.

The growth rate of the Annual Caps is approximately 9.6% from the year of 2025 to the year of 2026 and approximately 10% from the year of 2026 to the year of 2027. Such increase is primarily due to the increase in the estimated transaction amount of the dialyzer products from Sichuan Ruijian Medical to Lepu Medical Group in the Indian market driven by the development of the dialyzer market in India and the business expansion of Lepu Medical Group in the Indian market.

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The historical amounts received by the Group from Lepu Medical Group in relation to sales of medical devices for the two years ended December 31, 2022 and 2023 and the period from January 1, 2024 to September 30, 2024 were as follows:

	<b>For the year ended December 31, 2022</b>	<b>For the year ended December 31, 2023</b>	<b>For the period from January 1, 2024 to September 30, 2024</b>
Sales of medical devices by the Group to Lepu Medical Group	RMB16,145,000	RMB24,902,000	RMB26,400,000 (RMB47,073,000 for whole year with estimation and assumption)
— Sales of medical devices by the Group to Lepu Medical Group through Sichuan Ruijian Medical	RMB15,945,000	RMB24,823,000	RMB26,345,000 (RMB47,000,000 for whole year with Management's estimation)
— Sales of medical devices by the Group to Lepu Medical Group through Beijing Fert	RMB200,000	RMB79,000	RMB55,000 (RMB73,000 for whole year with pro rata assumption)
Historical Annual Cap	RMB33,100,000	RMB47,700,000	RMB72,300,000
Utilisation rate of Annual Cap	48.8%	52.2%	65.1% (for whole year with estimation and assumption)

As set out in the table above, the utilization of current annual cap of 2022, 2023 and the nine months ended September 30, 2024 was 48.8%, 52.2% and 65.1%, such moderate utilization rate was mainly due to the amount of sales of medical devices by the Group to Lepu Medical Group through Sichuan Ruijian Medical was below expectation, primarily due to (i) the repeated use of dialyzers in India market. As advised by the Management, dialyzers are disposable products in general. However, in the Indian market, a single dialyzer may be re-used by multiple times, which could lead to an over-estimation of the demand for dialyzers in the Indian market, resulting in an over-projection of the historical annual cap; and (ii) the Indian market has been highly competitive.

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As discussed with the Management, we noted that such proposed annual cap for each year ending December 31, 2025, 2026 and 2027 is formed by sales of Dialyzers by the Group to Lepu Medical through Sichuan Ruijian Medical, sales of other medical devices and accessories by the Group to Lepu Medical through Beijing Fert and buffer thereof, To assess the fairness and reasonableness of the proposed annual cap for the each year ending December 31, 2025, 2026 and 2027, we have obtained the estimation of sales volume of each medical devices and estimation selling price of each medical devices under the proposed annual cap and conduct the following analysis:

*Estimation of Sales of medical devices by the Group to Lepu Medical through Sichuan Ruijian Medical*

As set out in the table above, the historical transaction amount by the Group to Lepu Medical through Sichuan Ruijian Medical was approximately RMB15.9 million and RMB24.8 million for 2022 and 2023, with a growth rate of 55.7%, and is expected to furtherly grow to RMB47.0 million for 2024, with a steady growth rate of 89.3%. As advised by the Management, the estimated transaction amount of RMB47.0 million for the full year of 2024 by Sichuan Ruijian Medical represents a significant growth rate of sales for the three months ending December 31, 2024 as compared to the RMB26.3 million of actual transaction amount from January to September 2024. Sichuan Ruijian Medical recorded a rapid growth of sales volume of dialyzers to Lepu Medical in August and September 2024. From January to July 2024, Sichuan Ruijian Medical sold approximately 113 thousand dialyzers per month in average to Lepu Medical; while in August and September 2024, the sales volume reached 236 thousand units and 209 thousand units, respectively. We consider the estimation transaction amount of RMB47.0 million for the full year of 2024 by Sichuan Ruijian Medical is fair and reasonable based on the actual transaction amount of RMB26.3 million for 9 months ended 30 September 2024 and expected sales volume of 250 thousand units and selling price of US\$3.0 to US\$3.4 per unit for each of three months from October 2024 to December 2024. The forecasted sales volume for each of three months from October 2024 to December 2024 was based on the rapid increase in sales volume in August and September 2024 to Lepucare (India) and the Management's expectations for continuing growth of dialyzer's sales volume from October 2024 to December 2024 after its discussion with Lepu Medical. According to the discussion with the management of the Sichuan Ruijian Medical who is responsible for the dialyzer sales to Lepu Medical and the information provided by the management of Lepucare (India), the sharp rise in sales volume to Lepu Medical in August and September 2024 was mainly driven by increased dialyzer sales in the Indian market by to Lepucare (India), which led to a higher procurement volume from to Lepucare (India) mainly due to the increase of customer demand in India which primary as a result of both the number of distributors and the demand from the distributors' downstream customers (sub-distributors and hospitals) have increased. Such increase is expected to be maintained in the future as for medical products such as dialyzers has

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certain level of user stickness. According to the India Hemodialysis Market Report by Segment, Modality, End User, and Region 2024–2032 report published by IMARC<sup>1</sup>, the report indicates that the hemodialysis typically performed several times a week, hemodialysis is a crucial intervention for those with end-stage renal disease, providing a lifeline for individuals whose kidneys are no longer able to perform their vital functions, hemodialysis market in India is poised for substantial growth, India hemodialysis market size reached US\$1.3 Billion in 2023. Looking forward, IMARC Group expects the market to reach US\$ 2.61 billion by 2032, exhibiting a growth rate (CAGR) of 7.60% during 2024–2032.

As advised by the Management<sup>1</sup>, the transaction amount between Sichuan Ruijian Medical and Lepu Medical will still mainly compose by the sales of dialyzers, the expected transaction amount for sales of dialyzers by the Group to Lepu Medical through Sichuan Ruijian Medical will be RMB57.0 million for 2025, and will further increase to RMB63.0 million and RMB70.0 million for 2026 and 2027 with a growth rate of 10.5% and 11.1%. Such estimation is mainly based on the sales of Sichuan Ruijian Medical to Lepu Medical in August and September 2024. As discussed with the Management and the management of Sichuan Ruijian Medical, the unit price of dialyzers products of Sichuan Ruijian Medical sold to Lepucare (India) is expected to drop to US\$ 2.5 to US\$3.0 per unit for the three year ending 31 December 2027, which will be lower than current price range of US\$3.0 to US\$3.4, because the Indian market is highly competitive and the future price may decrease as the procurement amount from Lepucare (India) will rapidly increases as compare to the past three years. The sales volumes of dialyzers to Lepucare (India) for each of three years ending 31 December 2027, however, is estimated to be from 2.7 million to 3.2 million for 2025, based on the sales volume of 236 thousand units and 209 thousand units in August and September 2024 from Sichuan Ruijian Medical to Lepu Medical and a potential business expansion of Lepu Medical in India in the future, and the sales volume is expected to have a growth rate around 10%, as the revenue from the Group's blood purification business for the six months ended June 30, 2024 representing an increase of 10.0% compared to the same period in 2023. As advised by the management of Lepu Medical who is responsible for the Indian business, we noted that Lepu Medical is expected to further expand their business scale in dialysis market in India through expanding the customer bases and bidding for other procurement projects of dialyzers by the local governments considering the huge demand and their experience in success of the project bidding abovementioned in India. We noted that there is a significant growth of the proposed annual cap for 2025, as compared to the forecasted sales of medical devices by the Group to Lepu Medical for the whole year of 2024, which is significantly higher than the projected growth rate of market size of dialyzer in India by IMARC. We are given the understand that the proposed annual cap for 2025 is determined based on the rapid increase in sales volume of dialyzer in August and September 2024 to Lepucare (India). Considering that (i) the increased sales of dialyzer of Lepucare (India) in India is expected to be maintained in the future as for medical products such as dialyzers has certain level

<sup>1</sup> IMARC Group is a global management consulting firm with client base spans over 3,000 organizations in the private, public, and social sectors, ranging from high-growth startups to Fortune 500 companies. IMARC's primary research capabilities encompass both qualitative and quantitative methodologies, and offer a detailed understanding of market trends, consumer behavior, and industry dynamics through in-depth interviews, focus groups, surveys, and data analysis.



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of user stickness, and (ii) Lepu Medical will further expand its business in India in the future, we concur with the Management that the sales of dialyzer to Lepucare (India) may experience a significant growth in 2025, as compared to the sales in 2024.

Having considered above, we concur with the Management that the amount of continuing connected transaction between Sichuan Ruijian Medical and Lepu Medical will increase substantially in 2025, 2026 and 2027 as compared with the historical transaction amount in 2022, 2023 and 2024.

*Estimation of Sales of other medical devices and accessories by the Group to Lepu Medical through Beijing Fert*

As advised by the Management, Beijing Fert sold medical devices to Lepu Medical during 2022 to 2024, including but not limited to infusion sets, intravenous cannulas, injection needles and injection pens and other medical devices. Starting from 2025, as Lepu Medical is expected to develop its business in sales of medicines for chronic diseases in PRC. Thus Lepu Medical will have a massive growth in the demand of the medical device for such medicines in China. As advised by the Management of Lepu Medical, with the continuous increase in the number of chronic diseases patients, the market demand for the medicines for chronic diseases is also steadily expanding. Lepu Medical has already made some progress in the field of chronic diseases treatment and plans to prioritize the innovative research and development of such medications, which may result in a massive potential demand for injection medical devices for such medicines. We have interviewed the Manger of Lepu Medical who in charge of procuring such medical devices from Beijing Fert, based on Lepu Medical's estimation, the volume of demand from Lepu Medical would be 0.2 million units of medical injection devices and 0.7 million injection needles for each year in 2025, 2026 and 2027 as advised by Lepu Medical. According to the report published by RESEARCH AND MARKETS<sup>2</sup> related such chronic diseases in China for 2024–2032, the report indicates that China currently has the highest number of patients with this chronic disease in the world, the market size for this chronic disease in China reached US\$4.7 billion in 2023 and is expected to potentially reach US\$9.3 billion by 2032, with a compound annual growth rate (CAGR) of 7.9% during the period from 2023 to 2032. As advised by the management of Beijing Fert and as we have reviewed the demand forecasting of such medical device for such chronic diseases from Lepu Medical, the total sales amount of medical devices from Beijing Fert to Lepu Medical for 2025, 2026 and 2027 is expected to be RMB10.0 million, RMB10.0 million and RMB10.0 million, respectively, based on the estimated unit price, we believe that the projected transaction amount is reasonable with the estimated transaction volume above.

Having considered above, we concur with the Management that the amount of continuing connected transaction between Beijint Fert and Lepu Medical will have a rapid growth in 2025, 2026 and 2027 as compared with the historical transaction amount in 2022, 2023 and 2024.

<sup>2</sup> RESEARCH AND MARKETS was founded in 2002 with one simple aim; to connect businesses with the market insights and analysis they need to enable intelligent decision-making. Since then RESEARCH AND MARKETS have grown into the world's largest market research store with clients all over the world, including 450+ of the Fortune 500 Clients, choosing to buy their research from RESEARCH AND MARKETS.

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### **Buffer**

As mentioned above, the Company assumed buffers in range of 8.2% to 9.1% as an assumption of Sales by the Group to Lepu Medical and its subsidiaries for the determination of the Caps for each of the three years ending 31 December 2027. Having considered that (i) the additional buffer was assumed for unforeseeable circumstances, for instance, (a) the unpredictable increase in actual demand on the estimated amounts of the sales of medical devices transactions for each of the three years ending 31 December 2027; (b) the unexpected increase material cost of the sales of medical devices for each of the three years ending 31 December 2027 and (ii) based on our independent research, there were listed companies on the Stock Exchange which had incorporated buffer of 10% or around 10% in the proposed annual caps of their continuing connected transactions, we consider the buffers below 10% to be acceptable.

Having taken into consideration of the above, in particular, (i) Lepu Medical expanded and is expected to further expand its sales network in the dialysis market in India; and (ii) the prospects of the dialysis market industry to be positive, (iii) Lepu Medical is expected to develop its business in sales of Chronic disease-related therapeutic drugs; and (iv) the reasonableness of buffer, we are of the view that the proposed annual caps under the Renewed Sales of Medical Devices Framework Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that as the proposed annual caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2027, and they do not represent forecasts of the medical devices to be provided to Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement. Consequently, we express no opinion as to how closely the actual medical devices to be provided to Lepu Medical Group under the Renewed Sales of Medical Devices Framework Agreement will correspond with the respective proposed annual caps.

### **Internal Control System for Continuing Connected Transactions**

As disclosed in the Board Letter, the Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable to the Group than the terms available to or from any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- (a) the Company has adopted internal control rules such as connected transaction management measures;
- (b) under the leadership of the Board, the Company has set up a connected transaction working group. This connected transaction working group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and

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reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organizing the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions;

- (c) each subsidiary of the Group has established a connected transaction group headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this circular to set the price for each transaction;
- (d) under the leadership of the connected transaction working group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner;
- (e) the Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions periodically. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual cap, and recommends improvement measures for any issues identified;
- (f) the Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual cap as approved at the general meeting or board meeting. The independent non-executive Directors also make confirmation to the Shareholders on an annual basis. Such confirmation includes opinions on (i) whether the actual transaction amount incurred are within the annual cap as approved at the general meeting or board meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole;

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- (g) the audit committee of the Company reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual cap; and
- (h) the external auditor of the Company conducts year-end review for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual cap during the preceding year pursuant to the Listing Rules and submits the same to the Stock Exchange.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the management of the Company, we noted that (i) the connected transaction working group of the Company monitors the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the pricing terms and policy; (ii) the Audit Committee and external auditor of the Company will conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. As advised by the management of the Company, the Group will endeavour to carry out adequate supervision over the pricing terms and policy under the Renewed Sales of Medical Devices Framework Agreements against the relevant Annual Caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken. We have also interviewed the representative of the connected transaction working group which is set up by the Company and we were advised that the group is comprised with 3 members, including the vice president of the Company, the Chief Financial Officer of the Company and the manager of Internal Control of the Company, and all of them are with financial or legal background. They are well familiar with the internal control procedure and understand their roles and responsibility. And we also note that each subsidiary of the Company has established a connected transaction group headed by a senior manager responsible for finance and all of them are familiar with the internal control procedure and understand their roles and responsibility.

By considering (i) the continuing connected transaction working group which is set up by the Company will formulate and oversee the internal control systems for the connected transactions, negotiate and sign various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), to ensure such transactions are conducted on normal commercial conditions or more favourable terms; (ii) the Company requires all of the subsidiaries to submit implementation reports of connected transactions periodically and consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified; and (iii) the Company's independent non-executive Directors and the Auditor will conduct an annual review of the status of the transactions contemplated under the Renewed Sales of

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Medical Devices Framework Agreements to ensure that the Company has complied with its internal approval process, we consider that the internal control of the Company is sufficient in place to ensure that the pricing of both sales and purchases transaction between the Company and the Lepu Medical Group would be on normal commercial terms.

In view of the above, we consider that the internal control manual, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the Renewed Sales of Medical Devices Framework Agreements and the continuing connected transactions contemplated thereunder. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

**RECOMMENDATION**

Having considered the above factors and reasons, we are of the opinion that (i) the entering into of the Renewed Sales of Medical Devices Framework Agreement is in the ordinary and usual course of business of the Company; (ii) the terms of the Renewed Sales of Medical Devices Framework Agreement are on normal commercial terms and which, altogether with the Annual Caps, are fair and reasonable, and the Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Renewed Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,

For and on behalf of

**Zero2IPO Capital Limited**

**Xu Shaobo**

*Executive Director*



**Fred Bao**

*Senior Manager*



*Note:* Mr. Xu Shaobo is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 8 years of experience in investment banking industry.

Mr. Bao is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 5 years of experience in investment banking industry.