OVERVIEW

We will engage in certain transactions with our connected persons after the [REDACTED], which will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

OUR CONNECTED PERSONS

The following persons, with whom we have entered into certain transaction in our ordinary course of business, will become our connected persons as defined under the Listing Rules upon completion of the [REDACTED]:

Connected persons	Connected relationship
Hainan Haitai Medical Technology Co., Ltd. (海南海泰醫療科技有限公司) ("**Hainan Haitai**")	Hainan Haitai is controlled by Mr. Dong Wei, the relative of Mr. Dong, our Director and one of our Controlling Shareholders, and therefore a connected person of us.
Shanghai Shuofang Pharmaceutical Technology Co., Ltd. (上海碩方醫藥科技有限公司) ("**Shanghai Shuofang**")	Shanghai Shuofang is a wholly-owned subsidiary of Xintian Pharmaceutical, one of our Controlling Shareholders, and therefore a connected person of us.
Shanghai Jinzhu Information Technology Co., Ltd. (上海錦竺信息科技有限公司) ("**Shanghai Jinzhu**")	Shanghai Jinzhu is indirectly controlled by Mr. Dong Zhu, our Director and one of our Controlling Shareholders, and therefore a connected person of us.
Guangzhou Youyi Health Pharmaceutical Chain Co., Ltd. (廣州市優醫健康藥業連鎖有限公司)	Guangzhou Youyi is indirectly controlled by Mr. Dong Zhu, our Director and one of our Controlling Shareholders, and therefore a connected person of us.

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We set out below a summary of the continuing connected transactions for our Group, which will be exempted from the reporting, annual review, announcement, circular and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Sales of Pharmaceutical Products

During the Track Record Period, our Group sold pharmaceutical products to Hainan Haitai from time to time. Such transactions were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the consideration being determined with reference to, among others, the market price of the pharmaceutical products and are expected to continue after [REDACTED].

Procurement of Technology Services

During the Track Record Period, our Group procured technology services from Shanghai Shuofang from time to time. Such transactions were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the consideration being determined with reference to, among others, the costs, the quantities, the quality and reliability of such services and the prevailing market conditions. and are expected to continue after [REDACTED].

Procurement of Operational Support Services

During the Track Record Period, our Group procured operational support services from Shanghai Jinzhu from time to time. Such transactions were entered into (i) in the ordinary and usual course of business of our Group, (ii) on arm's length basis, and (iii) on normal commercial terms with the consideration being determined with reference to, among others, the costs, the quantities, the quality and reliability of such services and the prevailing market conditions. and are expected to continue after [REDACTED].

As the transactions contemplated under the Sales of Pharmaceutical Products, the Procurement of Technology Services and the Procurement of Operational Support Services above will be conducted in the ordinary and usual course of business and on normal commercial terms or better, and the highest applicable percentage ratio for the fees payable by our Group is expected to be less than 5% on an annual basis and the fees payable by our Group thereunder on an annual basis is expected to be less than HK$3,000,000, such transaction will be fully exempted from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(c).

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTION

Pharmaceutical Products Sales Framework Agreement

Principal Terms

On [•], our Company, for itself and on behalf of its subsidiaries, entered into a pharmaceutical products sales framework agreement (the "**Pharmaceutical Products Sales Framework Agreement**") with Guangzhou Youyi, pursuant to which our Group will sell pharmaceutical products to Guangzhou Youyi.

The initial term of the Pharmaceutical Products Sales Framework Agreement will commence on the [REDACTED] and end on [REDACTED] and may be renewed subject to the relevant requirements under the relevant laws, regulations, and the Listing Rules. Our Group and Guangzhou Youyi will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Pharmaceutical Products Sales Framework Agreement.

Reasons for the Transaction

We sell pharmaceutical products directly to retail pharmacies as part of our ordinary and usual course of business, while Guangzhou Youyi, as a chain pharmacy, procures pharmaceutical products in its ordinary and usual course of business to meet its customer needs. Therefore, there is a recurring need for Guangzhou Youyi to purchase pharmaceutical products from us.

Similar to Independent Third Parties, both our Group and Guangzhou Youyi are required to undergo respective selection and approval procedures, as well as the commercial negotiation process, before establishing a seller-buyer relationship. Our Group has developed a long-term and stable business relationship with Guangzhou Youyi, which has also become one of our Group's reliable and stable sales channels for the pharmaceutical products. We are familiar with their procurement and delivery requirements, enabling us to supply pharmaceutical products efficiently to meet their operational needs. Furthermore, this transaction does not restrict us from collaborating with other retail pharmacies, as we will only supply pharmaceutical products to Guangzhou Youyi if both parties mutually agree that it is in the best interests of our Group, Guangzhou Youyi, and their respective shareholders as a whole.

Guangzhou Youyi is selected as a preferred partner under similar or comparable terms due to its market reputation, ample experience, solid foundation in the pharmaceutical retail industry, and the long-standing business relationship we have built together.

Pricing Policy

The prices for the pharmaceutical products provided by our Group to Guangzhou Youyi will be no more favourable than those offered by our Group to other direct sales customers who are Independent Third Parties for comparable transactions, and will be determined by our Group and Guangzhou Youyi through arm's length negotiations with reference to, among others, (i) the medical insurance listed price for NRDL-included products; and (ii) the prices offered by our Group to other direct sales customers who are Independent Third Parties for the relevant pharmaceutical products.

Historical Amounts

The historical transaction amounts of our sales of pharmaceutical products to Guangzhou Youyi were approximately RMB2.68 million, RMB1.92 million and RMB2.62 million, for the years ended December 31, 2023, 2024 and 2025, respectively.

Annual Cap and Basis of Caps

Our proposed annual cap for the transactions under the Pharmaceutical Products Sales Framework Agreement for the financial year ending December 31, 2026 is RMB3.8 million.

The proposed annual caps have been carefully determined on the basis of prudent commercial assumptions and realistic business estimations. We have taken into account the following key factors: (a) the historical transaction amounts under similar sales arrangements during the Track Record Period, which provide a reliable foundation and benchmark for future cap projections; (b) the anticipated growth in demand from our direct sales customers, driven by the overall expansion of both the prescription and over-the-counter pharmaceutical markets and further catalyzed by macro and sector-specific factors such as aging demographics, rising healthcare awareness and expanding chronic disease management needs; (c) the potential impact of rising costs associated with production, logistics and compliance, particularly in light of inflationary pressures and evolving pharmaceutical industry regulations, which may influence the pricing and volume of product sales; and (d) the expected launch of new pharmaceutical products and potential expansion into new regional or therapeutic markets, which may create additional transaction volumes and necessitate a forward-looking and flexible cap structure to accommodate growth opportunities.

Listing Rules Implications

As the highest applicable percentage ratio of the transactions under the Pharmaceutical Products Sales Framework Agreement for the year ending December 31, 2026, calculated for the purpose of Chapter 14A of the Listing Rules, is higher than 0.1% but below 5% on an annual basis, such transaction will, upon [REDACTED], constitute a continuing connected transaction of our Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules but exempt from the circular and independent Shareholders' approval requirements under Rule 14A.36 of the Listing Rules.

INTERNAL CONTROL PROCEDURES

Our Group adopts the following internal control measures to ensure that the transactions will be carried out in accordance with the terms of the Pharmaceutical Products Sales Framework Agreement, including the pricing policies, and in compliance with all the applicable requirements under the Listing Rules:

(i) We have adopted a connected transaction management policy to ensure that connected transaction will be conducted fairly, on normal commercial terms, and in the interests of our Company and our Shareholders as a whole.

(ii) Prior to the execution of the underlying agreements under the continuing connected transaction, the business management department of our Group will thoroughly understand the true condition of the transaction target and the integrity record, credit status, and performance capability of the counterparty; carefully assess the necessity and rationality of the transaction, the sufficiency of the pricing basis, the fairness of the transaction price, and the impact on our Company; pay special attention to issues such as unclear ownership of the transaction target, uncertain performance capability of the counterparty, and unclear transaction price; and where necessary, appoint external professional parties to assess or audit the value of the transaction.

(iii) The internal audit department of our Group will regularly examine the pricing of the transactions under the continuing connected transaction to ensure that those transactions are conducted in accordance with the pricing terms therein.

(iv) Our Company will provide information and supporting documents to the independent non-executive Directors and the auditors for them to conduct an annual review of the continuing connected transactions entered into by our Company. Our independent non-executive Directors and auditors will conduct an annual review of the continuing connected transaction under the Pharmaceutical Products Sales Framework Agreement and provide annual confirmations in accordance with Rules 14A.55 and 14A.56 of the Listing Rules.

WAIVER

In respect of the transactions as contemplated under the Pharmaceutical Products Sales Framework Agreement as described above, we have applied for, [and the Stock Exchange has granted us,] a waiver from strict compliance with the announcement requirements under the Listing Rules pursuant to Rule 14A.105 of the Listing Rules.

DIRECTORS' CONFIRMATION

Our Directors (including the independent non-executive Directors) are of the view that: (i) the partially-exempt continuing connected transaction set out above has been and will be entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable, and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual cap for such transaction is fair and reasonable and in the interests of our Company and the Shareholders as a whole.

SOLE SPONSOR'S CONFIRMATION

The Sole Sponsor has (i) reviewed the relevant documents and information provided by the Company in relation to the above partially-exempt continuing connected transaction; (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 the Group. Based on the above, the Sole Sponsor is of the view that the aforesaid partially-exempt continuing connected transaction, for which the waiver has been sought, has been entered into in the ordinary and usual course of the Company's business on normal commercial terms or better terms, is fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that the proposed annual cap in respect of the partially-exempt continuing connected transaction is fair and reasonable and in the interests of the Company and its Shareholders as a whole.