OVERVIEW

As at the Latest Practicable Date, Lepu Medical, together with its wholly-owned subsidiary Target Medical, held 86.34% equity interest in our Company, with Lepu Medical and Target Medical directly holding 85.48% and 0.86% equity interests in our Company, respectively. Immediately following the completion of the [**REDACTED**] and [**REDACTED**] of Domestic Shares and Unlisted Foreign Shares into H Shares, Lepu Medical and Target Medical will directly hold approximately [**REDACTED**]% and [**REDACTED**]% of the equity interests in our Company, respectively, assuming the [**REDACTED**] is not exercised. Dr. Pu is the Actual Controller of Lepu Medical with approximately 25.25% voting interest in Lepu Medical. According to the Listing Rules of the ChiNext Board of the Shenzhen Stock Exchange (《深圳證券交易所創業板股票上市規則》) where Lepu Medical, our Controlling Shareholder, is listed, an "actual controller" refers to an individual or entity that can control a company by way of investment relationship, contracts or other arrangements. As Dr. Pu is able to control Lepu medical and exert substantial influence over it, we regard Dr. Pu as our Controlling Shareholder. Lepu Medical, Dr. Pu and Target Medical are considered as a group of Controlling Shareholders of our Company.

BACKGROUND OF OUR CONTROLLING SHAREHOLDERS

Lepu Medical (together with its subsidiaries including us) is principally engaged in three business segments, namely (1) research and development, manufacturing and sales of cardiovascular medical devices, (2) manufacture and sales of cardiovascular medicines, and (3) provision of other cardiovascular medical and health management services. The shares of Lepu Medical have been listed on the Shenzhen Stock Exchange (stock code: 300003) since October 30, 2009. For the year ended December 31, 2021 and the six months ended June 30, 2022, Lepu Medical Group recorded revenue of RMB10,660 million and RMB5,334 million, respectively, with total assets of RMB21.717 billion as of June 30, 2022 as reported under the PRC GAAP. The businesses of our Group fall under the research and development, manufacturing and sales of cardiovascular medical devices segment of Lepu Medical Group.

Dr. Pu is the Actual Controller of Lepu Medical. As of the Latest Practicable Date, Dr. Pu held approximately 25.25% of the voting power of Lepu Medical, through (1) a direct shareholding interest of 12.64%, (2) an indirect shareholding of 5.74% through his wholly-owned entities, and (3) an acting-in-concert arrangement with an entity holding 6.87% of Lepu Medical's equity interests. Dr. Pu is the chairman of the board and chief technology officer of Lepu Medical. Dr. Pu was also the general manager of Lepu Medical since December 2007 and he stepped down from this role in April 2021, with a view to bequeathing his executive management responsibilities in Lepu Medical to the capable management team of Lepu Medical and shifting his focuses onto the overall strategic development and innovative R&D of Lepu Medical. As of the Latest Practicable Date, other than his voting interest in Lepu Medical, Dr. Pu did not hold or was otherwise interested in the share capital of our Company, nor had he been involved in the day-to-day management or operations of our Group. See "—

Independence from Controlling Shareholders — Management Independence." Dr. Pu was of the view that our Company has been amply and soundly managed by our board of Directors and senior management and hence did not take on any executive role or directorship in our Company.

Target Medical, a wholly-owned subsidiary of Lepu Medical, is principally engaged in the research, development and sales of intravascular catheters, guide wires and sheaths, injection puncture devices, transfusion devices and tubes, invasive medical sensors, infusion auxiliary devices and respiratory anesthesia or ventilation tracheal intubation products.

SPIN-OFF

Pursuant to the Spin-off Circular, the offshore listing of the subsidiaries controlled by the domestic listed companies shall comply with the conditions set out in the Spin-off Circular and obtain approval from the CSRC. Lepu Medical, our Controlling Shareholder, is a company listed in the PRC. The [**REDACTED**] of our Company constitutes a [**REDACTED**] from a domestic listed company as defined under the Spin-off Circular and is subject to the approval from the CSRC. The [**REDACTED**] of our Company was approved by Lepu Medical's shareholders at an annual general meeting held on May 26, 2021 and by the CSRC on November 11, 2021. There is no other approval from Lepu Medical's shareholders or regulatory authorities in the PRC required of Lepu Medical in connection with the [**REDACTED**].

BUSINESS DELINEATION AND COMPETITION

The Retained Lepu Medical Group's business is divided into three main segments, namely (i) research and development, manufacturing and sales of cardiovascular medical devices, (ii) manufacture and sales of cardiovascular medicines, and (iii) provision of other cardiovascular medical and health management services. In particular, the Retained Lepu Medical Group's segment of cardiovascular medical devices is relevant in considering business delineation between the Retained Lepu Medical Group and us. In comparing the targeted diseases of their respective device products, our device products are targeting at structural heart diseases, including congenital heart diseases and valvular heart diseases, whereas the Retained Lepu Medical Group's device products are mainly targeting at other cardiovascular diseases, such as arrhythmia, coronary heart disease, peripheral vascular disease, etc. Other than mechanical heart valve which also targets valvular heart disease (with detailed product differences illustrated in below chart), there is no overlap of target diseases between our Group and Retained Lepu Medical Group. According to Frost & Sullivan, the target addressable market of the heart valve products carried by the Retained Lepu Medical Group and us can be demonstrated by the number of procedures that deploy the relevant products. The number of procedures for SAVR (representing the target addressable market of the Retained Lepu Medical Group's mechanical heart valve products and will not utilize interventional heart valve products) in China was 25.6 thousand in 2021 and is expected to reach 30.2 thousand in 2030, while the number of procedures for TAVR, TMVr and TTVI (representing the target addressable market of Company's interventional heart valve products and will not utilize mechanical heart valve products) in 2021 was 6.6 thousand, 0.2 thousand and 0, respectively,

and is expected to reach 109.5 thousand, 32.3 thousand and 200.9 thousand, respectively, by 2030 based on (i) the relatively stable increase in patients with aortic valve diseases, (ii) increased patient acceptance of TAVR due to factors including enhanced market education in recent years, and (iii) relatively stable size of target patients of SAVR which led to a stable increase in the addressable market of SAVR with enhanced patients' awareness. There were no TTVI procedures conducted in 2021 because there has been no commercialized products in China as of the end of 2021.

Beijing Sida, being part of the Retained Lepu Medical Group, provides mechanical heart valve products. The mechanical heart valve products, which involve open-chest surgical procedures, do not fall within the interventional medical device market which our Group currently operates in. There are major differences in terms of target patients based on clinical recommendations, distinct method of treatment, safety characters, product lifespan, materials used and price range between mechanical heart valve products and interventional heart valve products. Among these differences, clinical recommendations which drive the key decision of patients on the deployment of such products would be made based on the age and condition of the patient in question and with reference to clinical guidelines for valvular diseases, according to Frost & Sullivan. Taking into account the significant differences in the method of treatment, safety characters, product lifespan, materials used for mechanical and interventional heart valves and their interplay with the age factor and specific physical conditions of each patient, F&S is of the view, and our Directors concur that it is highly unlikely to have a clinical recommendation (be it from one physician or different physicians) simultaneously recommending mechanical and interventional heart valves for a patient. After due consideration of the foregoing and having discussed with the Directors and Frost & Sullivan to understand the key basis of their views, the Sole Sponsor confirms that nothing material has come to its attention that would cause it to cast doubt on the view of the Directors and Frost & Sullivan. For further details, see " – Clear Delineation from Beijing Sida".

We act as the sole platform under the Lepu Medical Group focusing on the research and development, manufacturing and commercialization of interventional medical devices primarily targeting structural heart diseases, including occluder products and interventional heart valve products (the "Principal Business"). For details of our products, see "Business — Our Products." None of the members of the Retained Lepu Medical Group is engaged in the Principal Business or otherwise competes or is likely to compete with our Principal Business. We do not share any resource or administrative function with the Retained Lepu Medical Group other than what are involved in the transactions described under the section headed "Connected Transactions." Notwithstanding the fact that Beijing Sida offers a distinct type of heart valve products (see further details below), the Retained Lepu Medical Group does not have any product offerings and is not otherwise engaged in the research, development or commercialization in the areas of occluder products and heart valve products. Based on the foregoing and the details to be further delineated in " – Clear delineation from Beijing Sida" below, the Directors are of the view that there is a clear delineation of the business of our Group and that of the Retained Lepu Medical Group.

Clear Delineation from Beijing Sida

Beijing Sida is a company directly wholly-owned by Lepu Medical. Beijing Sida is engaged in two business segments, being (1) the distribution of coronary stents and other ancillary products for percutaneous coronary intervention operations manufactured by Lepu Medical and (2) to a lesser extent, in terms of revenue contribution, manufacturing and sales of mechanical heart valve products. The businesses of Beijing Sida fall under the cardiovascular medical devices segment of Lepu Medical Group. According to the unaudited management accounts of Beijing Sida, revenue derived from Beijing Sida's mechanical heart valve products segment was less than RMB20 million for each year ended December 31, 2019, 2020, 2021 and the six months ended June 30, 2022.

As further elaborated in "Industry Overview", the interventional medical device market targeting structural heart diseases consists primarily of three major fields of application, including (1) CHD, (2) cardioembolic stroke and (3) valvular diseases, according to the F&S Report. Our current platform places us as the only provider in China with a product portfolio covering all three major fields of application in the interventional medical device market targeting structural heart diseases. The mechanical heart valve products, which involve open-chest surgical procedures, do not fall within the interventional medical device market which our Group currently operates in. Our Directors consider the mechanical heart valve business of Beijing Sida is not in line with our platform's focus on interventional medical devices, the core advantage of which is to minimize invasion by avoiding open-chest surgical procedures, according to the F&S Report.

For a patient who is in need of a heart valve replacement procedure, the physician normally makes a clinical recommendation towards either mechanical heart valve treatment or interventional heart valve treatment based on the age and condition of the patient in question and with reference to clinical guidelines for valvular diseases. Taking into account the significant differences in the method of treatment, safety characters, product lifespan, materials used for mechanical and interventional heart valves and their interplay with the age factor and specific physical conditions of each patient, F&S is of the view, and our Directors concur that it is highly unlikely to have a clinical recommendation (be it from one physician or different physicians) simultaneously recommending mechanical and interventional heart valves for a patient. After due consideration of the foregoing and having discussed with the Directors and Frost & Sullivan to understand the key basis of their views, the Sole Sponsor confirms that nothing material has come to its attention that would cause it to cast doubt on the view of the Directors and Frost & Sullivan. In addition, according to Frost & Sullivan, it is a common practice for physicians to refer to the "ACC/AHA Guideline for the Management of Patients With Valvular Heart Disease" jointly published by the American College of Cardiology and the American Heart Association as well as other publications on similar topics by peer-reviewed journals, which vindicate that heart valve replacement operations are high-risk procedures, and patients who require heart valve replacement operations should be thoroughly assessed for age, symptoms, severity of aortic stenosis and comorbidities by the physicians. American College of Cardiology is the world's leading professional society for cardiology, an advocate for the development of guidelines for the treatment of all heart-related diseases worldwide. American

Heart Association is one of the most important societies in the field of cardiology, whose official journal is recognized by the industry to be providing guidelines and expert consensus on cardiovascular disease and stroke. As such, the choice of the type of heart valve product should be an informed and objective decision driven by the physicians' assessment and recommendation taking into account the patient's condition and the trade-off between factors such as durability, bleeding and thromboembolism, instead of driven by the patient's free will in choosing his/her desired type of heart valve product.

The following table sets forth the major differences (including target patients with clear delineation based on clinical recommendations, distinct method of treatment, safety characters, product lifespan, materials used and price range) between mechanical heart valve products and interventional heart valve products as backed by the F&S Report.

	Interventional heart valve products	**Mechanical heart valve products**
Target patients	• Clinically recommended for patients aged ≥ 70 years of age in general. • Clinically recommended for patients with any of the following conditions (including patients aged <70 years of age) (collectively, the "Specific Conditions"): o patients who are susceptible to risks of open-chest surgical procedures; o patients who cannot be anticoagulated in the presence of bleeding factors; and o women during pregnancy, as interventional heart valve products avoid the adverse effect of anticoagulants on the fetus.	• Clinically recommended for patients aged <70 years of age in general, ***but*** excluding patients with any of the Specific Conditions. In particular: o it is particularly clinically recommended for younger patients aged <50 years of age; and o for patients aged between 50 and 70 years of age, clinical recommendations are prioritized towards mechanical heart valves, unless for patients with severe calcification conditions, short expected survival time, severe liver, renal or pulmonary diseases, mediastinal radiation.

	Interventional heart valve products	Mechanical heart valve products
Method of treatment	• Minimally invasive surgeries.	• Open-chest surgeries through an incision to the patient's chest (sternotomy) or ribs (thoracotomy).
Corresponding department at hospitals that deploy the product	• Mostly deployed by the cardiology departments in hospitals.	• Mostly deployed by the cardiac surgery departments in hospitals.
Safety characteristics	• Minimally invasive surgeries are typically less invasive and require shorter hospital stay. • Good hemodynamic function and low incidence of thromboembolism. • Typically requiring only short-term anticoagulation and avoidance of fatal bleeding due to anticoagulation. • Fewer surgical and post-surgical complications.	• Open-chest surgeries are typically highly traumatic and require longer recovery time. • Life-long anticoagulation therapy required. • Regular monitoring of prothrombin time required. • Long-term anticoagulation therapy may result in risks of serious bleeding.
Product lifespan and incidence of reoperation	• A lifespan typically ranging from 15 to 20 years, therefore relatively higher incidence of reoperation in patients as compared to mechanical heart valve products.	• Longer lifespan, therefore lower incidence of reoperation in patients as compared to interventional heart valve products.
Materials used	• Bovine or porcine pericardium or macromolecular materials.	• Pyrolytic carbon and titanium alloy.
Medical cost and medical insurance coverage	• Approximately RMB175,000. • Not covered by medical insurance coverage.	• Approximately RMB50,000-60,000. • Approximately 60-80% covered by medical insurance coverage.

In addition to the major differences between mechanical heart valve products and interventional heart valve products as elaborated above, the clear delineation between our Principal Business and the business of Beijing Sida is also demonstrated by the following:

(i) ***Differentiated sales channels***. We maintain sales channels and distributor base differentiated from those of Beijing Sida. Beijing Sida's mechanical heart valves involve open-chest surgical procedures and are therefore mostly deployed by the cardiac surgery departments in hospitals; while our commercialized occluder products are interventional medical devices and mostly deployed by the cardiology departments in hospitals. According to Frost & Sullivan, the sales channels of medical devices are generally department-specific as different hospital departments are generally covered by distinct distributors. During the Track Record Period, only six of our distributors also distributed products for Beijing Sida, accounting for less than 2% of our total number of distributors as of June 30, 2022.

(ii) ***Distinct supply chains.*** We maintain a supplier base distinct from that of Beijing Sida. As elaborated in the table above, there are major differences in the raw materials used for interventional heart valve products and mechanical heart valve products. Additionally, the raw materials used for our occluder products as disclosed in "Business — Our Products — Occluder Products" and "Business — Raw Materials and Suppliers — Raw Materials" are also clearly differentiated from those used for Beijing Sida's mechanical heart valve products. During the Track Record Period, other than Lepu Medical (from which Beijing Sida procured coronary stents and ancillary products for percutaneous coronary intervention operations for distribution as disclosed above and we procured certain non-core components and parts as elaborated in "Business — Raw Materials and Suppliers — Suppliers"), there had been only one overlapping supplier for us and Beijing Sida for the procurement of raw materials for sutures, which are non-core materials and commonly used for grafted medical devices.

(iii) ***Independent R&D and manufacturing.*** Due to major differences in the materials used for Beijing Sida's mechanical heart valve products and our occluder and interventional heart valve products as elaborated above, the key technologies applied and manufacturing facilities used by Beijing Sida and us are also clearly differentiated. The key technology applied by Beijing Sida for its mechanical heart valve products is pyrolytic carbon deposition, which is evidently distinct from the technologies applied to our products as illustrated in "Business — Our Products." As of the Latest Practicable Date, there had been no overlap between Beijing Sida and us in terms of R&D personnel, manufacturing facilities and manufacturing personnel.

(iv) ***Separate management teams.*** As of the Latest Practicable Date, none of our Directors and members of our senior management team held any position in Beijing Sida, and vice versa. Please also see "Independence from Controlling Shareholders — Management Independence" for more disclosures with respect to our management independence from the Retained Lepu Medical Group (including Beijing Sida).

Furthermore, our planned development and expansion as illustrated in "Business — Growth Strategies" are in line with our continuous focus on the interventional medical device market targeting structural heart diseases, which consists primarily of three major fields of application, *i.e.*, CHD, cardioembolic stroke, and valvular diseases, according to the F&S Report. The mechanical heart valve business of Beijing Sida, the products of which involve open-chest surgical procedures, does not fall within the purview of our planned development and expansion in the interventional medical device market targeting structural heart diseases. Our Directors are of the view that the inclusion of the mechanical heart valve business of Beijing Sida would disrupt and deflect the clear market positioning of our Group.

Based on the foregoing, our Directors are of the view that the business of Beijing Sida is clearly delineated from our Principal Business and thus there is no competition between the business of our Group and that of the Retained Lepu Medical Group. Our Controlling Shareholders further confirmed that, as of the Latest Practicable Date, save as disclosed in this document, they do not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Furthermore, Lepu Medical and Dr. Pu have entered into the Non-competition Agreement, pursuant to which it/he undertook that it/he would not, and would procure its/his close associates (other than members of our Group) not to, directly or indirectly, engage in any business competing or is likely to compete with our Principal Business. For details, see "— Non-competition Agreement."

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

Upon the [**REDACTED**], our Board will consist of seven Directors comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. For more information, see "Directors, Supervisors and Senior Management."

Set out below is a table summarizing the positions held by our Directors and members of our senior management in the Retained Lepu Medical Group, if any. See "Directors, Supervisors and Senior Management."

Name	Position in our Company	Position in the Retained Lepu Medical Group upon [REDACTED]
Ms. ZHANG Yuxin (張昱昕)	Executive Director, deputy general manager and chief technology officer	A research and development project manager in Lepu Medical overseeing the research and development of the Entrusted Products carried out by Lepu Medical as a designated representative of our Group
Mr. ZHENG Guorui (鄭國銳)	Non-executive Director	Deputy general manager of Lepu Medical which is responsible for the overall management (including human resource and finance related matters excluding price, sales expense ratio and appointment of sales directors) of coronary products sales center and three devisions of medical sales center

Save as disclosed above, none of our Directors or members of our senior management holds any directorship or senior management positions in the Retained Lepu Medical Group. Furthermore, Dr. Pu, one of our Controlling Shareholders, had not been involved in the day-to-day management or operations of our Group.

We believe that our Directors and senior management are able to perform their roles in the Company independently and that the Company is capable of managing its business independently from the Retained Lepu Medical Group for the following reasons:

(i) the position held by Ms. ZHANG Yuxin in Lepu Medical is solely for the purpose of overseeing the research and development of the Entrusted Products as a designated representative of our Group, which does not have any negative impact on our management independence for the following reasons:

  (a) taking into account the infeasibility for us to directly take over the Relevant Activities for the Entrusted Products due to the Entrusted Products Regulatory Restrictions, we entered into the Entrustment Arrangements with Lepu Medical as further elaborated in "History, Reorganization and Corporate Structure — Our Corporate Development — Business Injection," "Business — Our Products — Heart Valve Product Candidates" and "Connected Transactions — Non-exempt Continuing Connected Transactions — 2. Entrusted Products Related Framework Agreement"; and

  (b) Ms. ZHANG Yuxin's position in Lepu Medical is in line with the abovementioned arrangements with a view to implementing our Group's control and supervision over the research and development process of the Entrusted Products;

(ii) Mr. ZHENG Guorui, the other Director who holds positions in the Retained Lepu Medical Group is our non-executive Director and does not participate in the day-to-day management and operations of our business;

(iii) as disclosed in "Directors, Supervisors and Senior Management — Board of Directors — Executive Directors," our executive Directors, Ms. CHEN Juan and Ms. ZHANG Yuxin, had historically held dual roles (save for the research and development manager position in Lepu Medical held by Ms. ZHANG Yuxin relating to the Entrusted Products as described in paragraph (i) above) in the Retained Lepu Medical Group and our Group, as they were designated by Lepu Medical to spearhead the operation of Shanghai Shape Memory Alloy as well as the establishment of our Company. Both of Ms. CHEN Juan and Ms. ZHANG Yuxin have been closely involved in the operations and strategic planning of the Group's business since the inception of the operations and business of Shanghai Shape Memory Alloy; and

(iv) as of the Latest Practicable Date, save for certain equity interest of the Retained Lepu Medical Group held by certain of our Directors, Supervisors and members of our senior management through employee incentive platforms of the Lepu Medical Group (with none of them holding more than 0.5% equity interest in the relevant member of the Retained Lepu Medical Group) and the publicly tradable shares of Lepu Medical that may be purchased by certain of our Directors, Supervisors and members of our senior management on the secondary market from time to time according to relevant trading rules (with none of them holding more than 0.01% equity interest in Lepu Medical), none of our Directors, Supervisors or members of our senior management team holds any other equity interest in the Retained Lepu Medical Group.

Notwithstanding the two overlapping Directors, our Directors, including the independent non-executive Directors, are of the view that there are sufficient corporate governance measures in place to mitigate the potential conflicts of interests, including:

(i) the decision-making mechanism of the Board as set out in our Articles of Association includes provisions that our Directors who hold positions with the Retained Lepu Medical Group are considered to be in conflict and are thus required to abstain from voting in certain circumstances, such as transactions with the Retained Lepu Medical Group. In addition, our independent non-executive Directors are required to review and approve such transactions;

(ii) all of our Directors are aware of their respective fiduciary duties and the dual roles assumed by the two overlapping Directors in most cases will not affect the requisite degree of impartiality of our Directors in discharging their fiduciary duties owed to our Company; and

(iii) we have appointed three independent non-executive Directors to provide sufficient independence to our Board and as the decisions of our Board will only be made after due consideration of independent and impartial opinions, thereby promoting the interests of the Company and our shareholders as a whole.

Our Directors are of the view that all of our Directors and senior management, including the two overlapping Directors, are able to devote sufficient time and resources among the Group and the Retained Group for the following reasons:

(i) Ms. Zhang Yuxin (張昱昕) who remained as a research and development project manager in Lepu Medical was serving in such position solely to oversee the research and development of the Entrusted Products carried out by Lepu Medical as a designated representative of, and solely for the benefit of, our Group; and

(ii) Mr. Zheng Guorui (鄭國銳) is a non-executive Director who does not participate in the daily operations and management of our Group.

Based on the above, our Directors believe that our Board together with our senior management team are able to perform their managerial roles in our Group independent of our Controlling Shareholders and their respective close associates.

Operational Independence

Our Group is operationally independent of our Controlling Shareholders. We have established our own organizational structure, and each department is assigned to specific areas of responsibilities. Our Group holds or enjoys the benefits of all relevant licenses and intellectual properties necessary to carry on our business. We have our own facilities, equipment and employees to operate our business independent from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

During the Track Record Period, our Company conducted certain transactions with our Controlling Shareholders and their respective close associates which are expected to continue after the [**REDACTED**] and will constitute continuing connected transactions of our Company under the Listing Rules. See "Connected Transactions" for more details. Such transactions are entered into in the ordinary and usual course of business of our Company and our Directors confirm that the terms of such transactions are determined at arm's length negotiations and are no less favourable to our Company than terms offered by independent third parties. Our Directors believe that the continuing connected transactions between our Company and our Controlling Shareholders and their close associates do not indicate any undue reliance by our Company on our Controlling Shareholders and are beneficial to our Company and our Shareholders as a whole.

Based on the above, our Directors are of the view that we are able to operate independently of our Controlling Shareholders and their respective close associates.

Financial Independence

We have a financial department which is independent of our Controlling Shareholders and such financial department is responsible for the Group's finance, accounting, reporting, credit and internal control. We can make financial decisions independently without interference from our Controlling Shareholders and their associates. We maintain bank accounts with banks independently and do not share any bank accounts with our Controlling Shareholders and their associates. We believe that we are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their associates.

All loans, advances and balances due to and from our Controlling Shareholders and their close associates will be fully settled upon [**REDACTED**].

Based on the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

NON-COMPETITION AGREEMENT

Lepu Medical and Dr. Pu (collectively, the "Covenantors") have entered into the Non-competition Agreement with our Company on January 27, 2022 in favor of us, which is effective from the [**REDACTED**] until the occurrence of one of the following events, whichever is earlier, (the "Relevant Period"):

(i) when the Covenantors and their close associates, individually or taken as a whole, cease to be our controlling shareholders (as defined under the Listing Rules from time to time); or

(ii) the date on which our H Shares cease to be [**REDACTED**] on the Stock Exchange.

Non-competition

Pursuant to the Non-competition Agreement, each of the Covenantors made irrevocable confirmations and/or covenants that, among other things;

(i) as of the date of the Non-competition Agreement, each of the Covenantors or any of their respective close associates (other than members of our Group) has not engaged in or participated in any business which, directly or indirectly, competes or is likely to compete with our Principal Business (the "Restricted Business"), and has not held any direct or indirect interest in any company or enterprise engaged in the Restricted Business;

(ii) each of the Covenantors will not and will procure its close associates (other than members of our Group) not to, at any time during the Relevant Period, (a) solely or jointly with a third party (be it a natural person, corporation, partnership or any organization), invest in, develop, engage in, participate in or acquire interest in any Restricted Business directly or indirectly in any manner (including but not limited to any joint venture, association, partnership, equity participation or acting as agent, principal, trustee, employee or any other capacity) domestically or abroad, or (b) otherwise hold any interest or rights in any Restricted Business; and

(iii) each of the Covenantors will not, at any time during the Relevant Period, (a) take advantage of its position as the Controlling Shareholder of our Company to participate in or be engaged in any activities which may be detrimental to the interests of our Group, or (b) induce or procure any of our customers, suppliers or key business partners to terminate its relationship with us.

The above confirmations and/or covenants are not applicable to the following circumstances:

(i) the engagement by Lepu Medical in the Relevant Activities of the Entrusted Products;

(ii) engaging in the Restricted Business purely through direct or indirect equity interest in members of our Group;

(iii) the interest held by the Covenantors and/or their close associates (other than members of our Group) pursuant to the paragraph headed "— Options for New Business Opportunities" below where we decide not to proceed with the New Business Opportunities (as defined below); or

(iv) the interest held by the Covenantors and/or their close associates in any entities other than members of our Group, provided that (a) the aggregate number of shares or equity interest held by the Covenantors and/or their close associates (other than members of our Group) is less than 10% of any class of the issued shares or the entire equity interest of any such entity, and (b) none of the Covenantors and/or their close associates (other than members of our Group) owns any right to appoint a majority of the directors of the board of any such company nor participates in the management or daily operations of any such company.

Options for New Business Opportunities

Pursuant to the Non-competition Agreement, the Covenantors undertake that, at any time during the Relevant Period, if any of the Covenantors or their respective close associates (other than members of our Group) becomes aware of any business, investment or other opportunities in connection with any Restricted Business (the "New Business Opportunities"), the Covenantors shall, and shall procure their respective close associates (other than members of our Group) to, refer or recommend the New Business Opportunities to our Group by;

(i) providing us with a written notice (the "Offer Notice"), which shall include all reasonable and necessary information (including but not limited to the nature of the New Business Opportunities and details in connection with the investment or acquisition costs) enabling us to consider (a) whether such New Business Opportunities compete with our Principal Business, and (b) whether acquiring interest in such New Business Opportunities is in the interest of our Group; and

(ii) assisting us in acquiring such New Business Opportunities on terms and conditions that are no less favorable than those offered to the Covenantors or their close associates (other than members of our Group) or other terms acceptable to us.

We shall respond to the Covenantors or their close associates (other than members of our Group) in writing within 20 business days upon receipt of the Offer Notice. An independent committee (the "Independent Committee") comprising our independent non-executive Directors (excluding any independent non-executive Directors with any conflict of interests) will decide on whether we shall proceed with such New Business Opportunities. If we decide not to proceed with such New Business Opportunities or otherwise fail to provide our written

response within 20 business days upon receipt of the Offer Notice, the Covenantors or their close associates (other than members of our Group) shall be entitled to proceed with such New Business Opportunities on terms and conditions that are no more favorable than those provided to us in the Offer Notice.

Should there be any material changes in the terms and conditions of New Business Opportunities that have been referred or recommended to us previously, the Covenantors or their close associates (other than members of our Group) shall follow the same procedures as set out above in providing us the Offer Notice reflecting the revised terms and conditions and the assistance in acquiring such revised New Business Opportunities.

Further Undertaking from the Covenantors

The Covenantors further undertake that:

(i) upon request from our independent non-executive Directors, the Covenantors shall provide and procure their close associates to provide all necessary information to our independent non-executive Directors enabling them to review the compliance with and implementation of the Non-competition Agreement by the Covenantors and their close associates (other than members of our Group);

(ii) we can disclose the review results by our independent non-executive Directors regarding the compliance with and implementation of the Non-competition Agreement by the Covenantors and their close associates (other than members of our Group) in our annual reports or other announcements in compliance with the requirements of the Listing Rules; and

(iii) the Covenantors shall provide an annual confirmation regarding the compliance by the Covenantors and their close associates (other than members of our Group) with their undertakings in the Non-competition Agreement for disclosure in our annual reports or other announcements in compliance with the requirements of the Listing Rules.

We will adopt the following measures to ensure that the undertakings in the Non-competition Agreement are observed:

(i) our independent non-executive Directors will review the compliance by the Covenantors and their close associates of their undertakings under the Non-competition Agreement; and

(ii) our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of our Controlling Shareholders' undertakings in our annual reports or by way of announcement to the public in compliance with the requirements of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

In order to further safeguard the interests of our minority Shareholders, we will adopt the following corporate governance measures to manage potential conflicts of interest:

(i) as part of our preparation for the [**REDACTED**], we have adopted our Articles of Association in compliance with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise stipulated;

  (a) a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting; and

  (b) in the event of any potential conflict of interests at the Shareholders' level, our Controlling Shareholders shall abstain from voting at the Shareholders' meeting of our Company with respect to the relevant resolutions;

(ii) we are committed to ensure that our Board shall have a sufficiently balanced composition of executive Directors, non-executive Director and independent non-executive Directors that can facilitate the exercise of independent judgment. We believe that the independent non-executive Directors have the necessary expertise to form and exercise independent judgment in the event of any conflict of interest between our Company and our Controlling Shareholders. Further, the independent non-executive Directors will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost in respect of matters relating to the Non-competition Agreement;

(iii) we have appointed Halcyon Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including but not limited to various requirements relating to Directors' duties and corporate governance; and

(iv) as required by the Listing Rules, our independent non-executive Directors shall review all connected transactions annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us that those available to or from independent third parties and on terms that are fair and reasonable and in the interest of our Shareholders as a whole.