

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), our Company will be owned as to approximately [REDACTED] by Meng A Capital. Meng A Capital is wholly owned by Mr. Meng, who is the Chairman, the chief executive officer and an executive Director of our Company. Accordingly, Mr. Meng and Meng A Capital are regarded as our group of Controlling Shareholders under the Listing Rules.

Each of our Controlling Shareholders and Directors has confirmed that none of them nor any of their respective close associates has interests in any business, apart from the business of our Group, which competes, or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group will be able to operate independently of our Controlling Shareholders and their respective close associates upon the [REDACTED], taking into consideration the following factors:

Management independence

Our business is managed and conducted by a strong and independent Board. Upon [REDACTED], our Board will consist of six Directors, comprising two executive Directors, one non-executive Director and three independent non-executive Directors. For a summary of the positions held by our Directors at our Company and its subsidiaries, please refer to the section headed “Directors and Senior Management” in this document.

Each of our Directors is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Our Company has appointed three independent non-executive Directors in compliance with the requirements under the Listing Rules to provide independent opinion and advice to our Board to ensure the decisions of our Directors are made after due and careful consideration of independent and impartial opinions, and that our independent non-executive Directors will bring independent judgement to the decision making process of our Board. Our Directors believe that there is a strong independent element on our Board and our Board will benefit from the independent advice of our independent non-executive Directors. Further, our Board acts collectively by majority decisions in accordance with the Articles of Association and the laws and no single Director is supposed to have any decision making power unless otherwise authorised by our Board.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We also have a senior management team which possesses extensive experience and understanding of our departmental disciplines coupled with knowledge of the industry in which our Group operates. Our Board is therefore satisfied that they are able to implement our policies and strategies independently. In addition, our Group has adopted certain corporate governance measures for conflict situation in order to safeguard the interests of our Shareholders as a whole, details of which are set out in “Corporate Governance Measures” in this section below.

In light of the above, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders and their close associates after the [REDACTED].

Operational independence

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], we have full rights to make all decisions regarding, and carry out, our business operations independently.

The operations of our Group are independent of and not connected with our Controlling Shareholders. We are in possession of all relevant licences, approvals and permits from the relevant regulatory authorities that are necessary to carry out and operate our business. We have established our own organisational structure comprising different departments, each with clear segregation of duties and responsibilities. Our Group has sufficient operational resources and human resources to operate independently.

Historically, Mr. Meng, our Controlling Shareholder, had set up a number of companies which were mainly engaged in the sales of pharmaceutical equipment, medical device product and medical consumables business (the “**Relevant Companies**”) to explore business opportunities with different brands, and had served as a director, supervisor and/or manager, or held controlling interests (as applicable) in the Relevant Companies. For details of the Relevant Companies, please refer to “Directors and Senior Management — Executive Directors”.

Among the Relevant Companies, Guanze Medical Equipment (Shanghai) Co., Ltd.* (冠澤醫療器材(上海)有限公司) (“**Guanze Medical**”), Jinan Chaotuo Qingheng Trading Co., Ltd.* (濟南超拓青恆商貿有限公司) (“**Chaotuo Qingheng**”) and Guanze International Trading (Hong Kong) Limited (“**Guanze Trading**”) were deregistered during or subsequent to the Track Record Period.

- *Guanze Medical*: Guanze Medical, which Mr. Meng was a director and legal representative since its incorporation, was established in October 2019 at the Shanghai Chongming Industrial Zone (上海崇明工業園區) with an intention to undertake an OEM project to develop its self-branded medical thermal films to be manufactured by one of the OEM manufacturers, in an attempt to capture the benefits awarded by the local authority to the enterprises in Shanghai Chongming Industrial Zone (上海崇明工業園區). However, as Guanze Medical was a newly established entity with no operating history, Mr. Meng subsequently decided to proceed the OEM project with Jinan Guanze, which at the time had carried on business operations for over a year and already possessed the relevant licences and permits for the business operation, details of which please refer to the paragraph headed “Business — Licence and Permits”. As Guanze Medical did not have other substantial

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

business operations and did not identify any promising project at the end, save for the sales of some of the medical imaging films products to us, an application for deregistration of Guanze Medical was made in July 2020 and it was deregistered in August 2020. Based on the unaudited management accounts of Guanze Medical, Guanze Medical recorded no revenue and profit/loss for the year ended 31 December 2019 and recorded a revenue of approximately RMB3.8 million and a profit of approximately RMB554,000 for the six months ended 30 June 2020, respectively. For details of the transactions conducted between the Group and Guanze Medical during the Track Record Period, please refer to the paragraph headed “Financial Information — Material Related Party Transactions”.

- *Chaotuo Qingheng*: Chaotuo Qingheng, in which Mr. Meng was a supervisor and his interest in it was held by him on behalf of his family member, was established in September 2013. Prior to its deregistration, Chaotuo Qingheng intended to undertake the distributorship of X-ray products of a German brand. However, as the negotiation with the German manufacturing company fell through and Chaotuo Qingheng had not commenced any business operations, an application for deregistration of Chaotuo Qingheng was made in October 2018 prior to the Track Record Period and it was subsequently deregistered in August 2020.
- *Guanze Trading*: Guanze Trading, which Mr. Meng was the sole director since its incorporation, was incorporated in March 2017 with an intention to undertake the potential import and export business with Medical Imaging Products Manufacturer. However, subsequent to our initiation to the termination of our distributorship with Medical Imaging Products Manufacturer in October 2017, Guanze Trading eventually had not entered into any agreement with the Medical Imaging Products Manufacturer. Having considered that Guanze Trading had no substantial business operations, a Request under Section 88B of the Inland Revenue Ordinance (Cap. 112) for a Notice of No Objection to a Company being Deregistered was filed with the Inland Revenue Department on 16 October 2020, and Guanze Trading was deregistered in January 2022. Based on the audited accounts of Guanze Trading issued by an independent certified public accounting firm in Hong Kong, Guanze Trading had not generated any revenue and recorded a loss of approximately US\$4,100 for the year ended 31 December 2019 and a loss of approximately US\$17,000 for the period from 1 January 2020 to 17 August 2020, being the date of cessation of business. The increase in loss was mainly attributable to the write-off of investment in its subsidiary, being Guanze Medical, which was deregistered in August 2020.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

During the Track Record Period and up to the Latest Practicable Date, save for (a) Hui Yue Business Trading (Shanghai) Co., Ltd.* (惠躍商貿(上海)有限公司), in which Mr. Meng did not have any roles as a director, supervisor or manager and his equity interest in which was held on behalf of his family member till its deregistration in June 2020, and (b) Guanze Medical Equipment (Shanghai) Co., Ltd* (冠澤醫療器材(上海)有限公司), a wholly foreign-owned limited liability company held as to 100% by Guanze International Trading (Hong Kong) Limited which was in turn wholly-owned by Mr. Meng, none of our Controlling Shareholders or their close associates has been our major supplier or customer during the Track Record Period. For details of the related party transactions, please refer to “Financial Information — Material Related Party Transactions”. We have our independent access to our major suppliers and have established our own client bases. All of the Relevant Companies have ceased operations and were dissolved or under deregistration as at the Latest Practicable Date. As at the Latest Practicable Date, except for the interest in our Group, Mr. Meng does not have any interest in, and does not intend to establish, any other companies that engage in business that competes or is likely to compete with our Group’s business. In addition, Mr. Meng has entered into the Deed of Non-competition in favour of our Company. For details, please refer to the paragraph headed “Deed of Non-competition” in this section.

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

Financial independence

During the Track Record Period and up to the Latest Practicable Date, our Group has established our financial department independent of our Controlling Shareholders. We also have our own financial accounting system and an independent treasury function. We are capable of obtaining financing from external sources, if necessary, without reliance on our Controlling Shareholders and related parties.

During the Track Record Period, we had certain amounts due to our Controlling Shareholders and/or their close associates. Please refer to the paragraph headed “Financial information — Amounts due to Related Parties” of this document for further details. There were no expenses or capital expenditure relating our Group during the Track Record Period that were borne by the Relevant Companies, other related parties of our Group or third parties without being recharged to our Group. In addition, during the Track Record Period and up to the Latest Practicable Date, Mr. Meng, our Controlling Shareholder, and/or his close associate(s) provided personal guarantees or acted as co-borrower for certain bank loans of our Group. All the financial assistance, including the personal guarantees, given by our Controlling Shareholders and their close associates will be repaid or released or otherwise settled before the [REDACTED]. Mr. Meng and/or his associates will cease to be the co-borrowers for bank loans of our Group before the [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 close associates.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of the Controlling Shareholders has [entered] into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders has, amongst other matters, unconditionally and irrevocably undertaken with our Company on a joint and several basis that

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

at any time during the Relevant Period (as defined below), each of our Controlling Shareholders shall, and shall procure that its/his respective close associates and/or companies controlled by them (other than our Group) shall:

- (i) not directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or likely to compete directly or indirectly with the core business currently engaged or possibly in the future to be engaged by our Group in Hong Kong, the PRC or any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the “**Restricted Business**”);
- (ii) not take any action, directly or indirectly, which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employee of our Group for employment by them or their close associates (other than members of our Group);
- (iii) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as our Controlling Shareholders for any purpose of engaging, investing or participating in any Restricted Business;
- (iv) if any project or new business opportunity that relates to the Restricted Business (the “**Business Opportunity**”) is available to any of our Controlling Shareholders or any of his or its close associates (other than members of our Group), the Controlling Shareholders shall, and shall procure that his or its close associates shall, refer such Business Opportunity to our Company on a timely basis and in the following manner:
 - (a) notify our Company in writing immediately, followed by the provision of requisite information which is reasonably necessary for the merits on whether or not to engage in such Business Opportunity be considered, assessed and/or evaluated;
 - (b) who plans to participate or engage in such Business Opportunity, give our Company a first right of refusal to participate or engage therein on terms that are fair and reasonable;
 - (c) not pursue such Business Opportunity until we have confirmed in writing our rejection to pursue, involve or engage in the same because of commercial reasons, any of our decisions on which will have to be approved by the independent non-executive Directors (the “**Independent Board**”) (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account, among other issues, (i) the prevailing business, legal, regulatory and contractual landscape of our Group, (ii) results of feasibility study, (iii) counterparty risks, (iv) contemplated profitability, (v) the financial resources required for such Business Opportunity, and (vi) where necessary, any opinion from experts on the commercial viability of the same; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (d) on the condition that our Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (iv)(c) above or if the Independent Board fails to respond within 30 business days' period, that the principal terms on which the relevant Controlling Shareholder and/or its/his close associates pursues such Business Opportunity are substantially the same as or not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable;
- (v) keep the Board informed of any matter of potential conflicts of interests between each of our Controlling Shareholders (including its/his close associates) and our Group, in particular a transaction between any of the Controlling Shareholders (including its/his close associates) and our Group; and
- (vi) provide as soon as practicable upon our Company's request to our Directors (including the independent non-executive Directors):
 - (a) a written confirmation on an annual basis in respect of compliance by it/him with the terms of the Deed of Non-Competition;
 - (b) all information necessary for the review and enforcement of the undertakings contained in the Deed of Non-Competition by the independent non-executive Directors with regard to such compliance; and
 - (c) their respective consent to the inclusion of such confirmation in our Company's annual report or by way of an announcement, and all such other information as may be reasonably requested by our Company for its review.

The Deed of Non-Competition is conditional on (i) the Listing Division granting [REDACTED] of, and permission to [REDACTED], all the Shares in issue and to be issued under the [REDACTED]; and (ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant as a result of the waiver of any condition(s) by the [REDACTED]) and that the [REDACTED] not being terminated in accordance with their terms or otherwise.

For the above purpose, the "**Relevant Period**" means the period commencing from the [REDACTED] Date and shall expire on the earliest of the following dates on which:

- (i) the Controlling Shareholders and their close associates (individually or taken as a whole) cease to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be the controlling shareholders for the purpose of the Listing Rules and do not have power to control our Board;
- (ii) our Shares cease to be [REDACTED] on the Stock Exchange; or
- (iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or their respective close associates.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

In order to properly manage any potential or actual conflict of interests between us and our Controlling Shareholders, we have adopted the following corporate governance measures:

- (i) our Directors shall comply with the Articles of Association which require our interested Director(s) not to vote (nor be counted in the quorum) on any resolutions of our Board approving any contracts or arrangements or other proposals in which he/she or any of his/her close associates is materially interested;
- (ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, him/her to act for the benefit of our Company and our Shareholders as a whole and not to allow any conflict of interests between his/her duties as a Director and his/her personal interests;
- (iii) any Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (iv) in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose decisions on matters reviewed by our independent non-executive Directors in our annual report or by way of announcement;
- (v) our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;
- (vi) each of our Controlling Shareholders has undertaken to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (vii) we have appointed Southwest Securities (HK) Capital Limited as our compliance adviser upon [REDACTED], which will provide advice and guidance to us with respect to compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines; and
- (viii) any transaction (if any) between (or proposed to be entered into between) our Group and its connected persons will be required to comply with the relevant provisions under Chapter 14A of the Listing Rules including, where applicable, the announcement, reporting, annual review and independent Shareholders' approval requirements.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and/or our executive Directors and our Group, and to protect the interests of our Shareholders, in particular, the minority Shareholders.