

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

As of the Latest Practicable Date, the Controlling Shareholders are interested in 57,490,000 Shares (representing approximately 55.77% of the total issued share capital of our Company). Mr. Li is interested in approximately 18,780,000 Shares through LIY Holdings and LIY Management. Ms. Li is the daughter of Mr. Li and is interested in 21,200,000 Shares through LIFY Management. Mr. Lian is interested in 17,510,000 Shares through Meiyao Holdings.

Each of Mr. Li, Ms. Li, Mr. Lian, Niu Guifen, Cui Yuanjun and Yuan Huimin have entered into a concert agreement on March 10, 2022 to confirm that they have agreed to and shall procure Shares controlled by corporation or trust under their control to act in concert in the management, decision-making and all major decisions of our Group since January 1, 2019. As of the date of this document, our Controlling Shareholders are entitled to exercise voting rights of approximately 55.77% of the total issued share capital of our Company. Immediately upon completion of the [REDACTED] (assuming the [REDACTED] is not exercised), they will be entitled to exercise voting rights of approximately [REDACTED]%. Therefore, Mr. Li, Ms. Li, Mr. Lian, Niu Guifen, Cui Yuanjun, Yuan Huimin, LIY Holdings, LYBF Management Holdings Limited, LIY Management, LIFY Holdings, LFYE Management Holdings Limited, LIFY Management, Meiyao Holdings, LIANSY Holdings Limited, NIUGF Holdings Limited, LIANSY Family Holdings Limited, CUIYJ Holdings Limited, CUIYJ Management Holdings Limited, YUANHM Holdings Limited, and YUANHM Management Holdings Limited are considered as our Controlling Shareholders upon [REDACTED].

DELINEATION OF BUSINESS

Business of Our Group

We are a beauty and health management service provider offering traditional beauty services, aesthetic medical services as well as subhealth assessment and intervention services to serve our clients' health and beauty desire (the "Core Business").

Excluded Business — Hainan Qiyao

As of the Latest Practicable Date, Mr. Li, Ms. Li, Mr. Lian, Niu Guifen, Cui Yuanjun and Yuan Huimin are our Controlling Shareholders and they are interested in the business of Hainan Qiyao, a medical services provider based in Bo'ao, Hainan province. In addition, Mr. GENG Jiaqi, our non-executive Director also serves as a supervisor of Hainan Qiyao. It operates a hospital primarily focused on the provision of frontier medical services with a focus on research, development and application of innovative technologies. In order to advance its capabilities in the technologies and as part of its business focus to offer its customers with frontier technologies and innovative products, Hainan Qiyao has made significant commitments on research and development, including cooperation with institutions including B. Braun, a global healthcare company and other major reputable research institutions. Our Directors confirm that to the best of their knowledge after due enquiry, as of the Latest Practicable Date, Hainan Qiyao did not experience any material medical incidents.

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Hainan Qiyuan is held as to 99.999% by Shanghai Qishi and 0.001% by Mr. Li. Shanghai Qishi is a limited partnership whose general partner is Shanghai Bozhichuang Commercial Management Partnership (Limited Partnership) (上海博之創商業管理合夥企業(有限合夥)), a partnership whose interest and control rest with Mr. Li and Ms. Li. The other limited partners of Shanghai Qishi include Henan Meiyao, Shanghai Youyi, Shanghai Bozhi Commercial Management Partnership (Limited Partnership) (上海博至商業管理合夥企業(有限合夥)), a limited partnership with Mr. Li serving as its general partner), Maynos (Hong Kong) Limited and Tianjin Rongzhu Tianyuan Enterprise Management Partnership (Limited Partnership) (天津鎔鑄田園企業管理合夥企業(有限合夥)), "Tianjin Rongzhu". The general partner of Tianjin Rongzhu is Shanghai Panxin Yanzhao Investment Consulting Co., Ltd. (上海磐信言釗投資諮詢有限公司, a company that is controlled by Beijing Xinyu) and Beijing Xinyu is its sole limited partner. Hainan Qiyuan is managed by its management team lead by ZHU Yi (朱一), its sole director and chief executive officer. ZHU Yi was a former employee of the Group working for Hainan Qiyuan and has ceased to be an employee of the Group upon the Group's disposal of Hainan Qiyuan in December 2020. The management team of Hainan Qiyuan is independent from and not employed by the Group. Our executive Directors does not hold any directorship or management role in Hainan Qiyuan.

Prior to December 2020, Hainan Qiyuan was part of our Group and operated the hospital by focusing on offering its customers with frontier technologies and innovative products. Our Group disposed Hainan Qiyuan to its current shareholders, Shanghai Qishi and Mr. Li for a total consideration of RMB20 million, such consideration was determined based on arm's length negotiation and based on a valuation report prepared by a valuer who is an Independent Third Party. We have disposed the business to our then Shareholders in order to focus on and engage in our Core Business. In light of the innovative nature of Hainan Qiyuan's operations involving licensed drugs, licensed medical devices and licensed medical research and given its emphasis on innovative and frontier research and development, which are different from the rest of the Group, the Group has determined that it is in the Group's interest as a whole to dispose of the business such that the Group's management's attention and effort can be dedicated to our Core Business. For details on the historical transaction amount between the Group and Hainan Qiyuan, please refer to the section headed "Connected Transaction" in this document. Hainan Qiyuan has not generated any income from any overlapping services with the Company, including but not limited to traditional beauty services, aesthetic medical services, and subhealth assessment and intervention services which directly or indirectly competes with the Group since the Group's disposal in December 2020 and will not do so in the future.

The cooperation arrangement between Hainan Qiyuan and the Group stems from the Group's objective of serving its customers' needs, including through recommending and facilitating existing customers' demand for services that are not offered by the Group. For the year ended December 31, 2021, with reference to the management account provided by Hainan Qiyuan, its revenue attributable from customers referred by the Group amount to approximately 35% of Hainan Qiyuan's total revenue for the year.

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The Group's role in the cooperation arrangement mainly includes facilitative services, such as preliminary communication and consultation on service offerings, coordination of travel and accommodation arrangements when visiting Hainan Qiyian, liaison between the customers and Hainan Qiyian as well as post-treatment consultation services. Pursuant to the Cooperation Agreement as detailed in the section headed "Connected Transactions", Hainan Qiyian will not be engaged in also diagnostic or detection services offered by the Group (including functional assessment and sub-health assessment services for overall health conditions, chronic disease, mental health screening and electrical impedance analysis on the digestive system). When Hainan Qiyian's patients is required to undertake such services, it will exclusively refer such business to the Group, and the Group will directly engage the patients to provide the relevant diagnostic services.

Clear Delineation of Business

The business of Hainan Qiyian can be delineated from the Group's Core Business in terms of business strategy, service offerings and technology and treatment deployed. The table below sets forth the major differences between the operations of Hainan Qiyian and the Group:

Hainan Qiyian

The Group

Business strategy

Hainan Qiyian is committed to growth through sourcing innovating medical treatments and drugs, expansion of hospital services targeting chronic diseases and investments in research and development (R&D). It has undertaken multiple R&D initiatives and intends to continue making significant investments in R&D in order to develop innovative and frontier treatments including cell therapies of which requires specific qualification and technical capability that the Group as a beauty and health management service provider does not possess.

Hainan Qiyian is working on multiple ongoing R&D projects and has also entered into R&D agreements with other reputable hospitals including Shanghai East Hospital (上海市東方醫院).

We are a beauty and health management service provider offering traditional beauty services, aesthetic medical services as well as subhealth assessment and intervention services to serve our clients' health and beauty desire. The Group's plans for growth leverage on its extensive store coverage, brand awareness, large client base, continuous investment in IT systems and standardized services across our stores and location. The Group does not leverage on medical R&D as a path for future development, has not made significant commitments on medical R&D and does not possess such hardware infrastructure (e.g. certified laboratory).

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Service offering

Hainan Qiyan operates a specialized hospital which is licensed and qualified to offer 10 types of medical services leveraging on innovative technologies such as cell therapies, including (i) gynecology treatments (including HPV infection and urinary incontinence treatments) (ii) surgical treatments (including skeletal and joint injuries, digestive system diseases), (iii) internal medicine services (including hematology, endocrinology, rheumatology and immunology), and (iv) oncology services. Hainan Qiyan has not generated any income from traditional beauty services, aesthetic medical services, and subhealth assessment and intervention services which directly or indirectly compete with the Group since the Group's disposal in December 2020. Hainan Qiyan will also exclusively refer its patients requiring diagnostic and detection service which are covered by services offered by the Group (the "**Group Diagnostic Services**") to the Group as further detailed in the section headed "Connected Transactions", Hainan Qiyan will no longer provide any Group Diagnostic Services, which will be referred to the Group and the Group will directly engage the relevant patients to provide such Group Diagnostic Services and Hainan Qiyan will only continue to provide other diagnostic services that fall outside of the Group's diagnostic service offerings and are carried out as part of Hainan Qiyan's medical treatment process for its patients.

The Group does not operate hospital and is a beauty and health management service provider principally offering traditional beauty services, subhealth assessment and intervention services and aesthetic medical services. The Group's services are predominantly non-invasive and caters to the day-to-day beauty and health needs of the Group's customers. The Group currently operates a small number of stores holding Medical Institution Practicing License. These institutions are medical clinics and are typically only qualified to offer services covered in our aesthetic medical services and do not offer the broad range of medical services offered by Hainan Qiyan's hospital.

While the Group offers certain subhealth assessment and intervention services under our Neology brand, these are primarily focused on clients' subhealth and overall health conditions on aging related health issues, the treatments offered under our Neology brand are generally focused on relieving symptoms and conditions and do not involve treatments of more significant illness or sickness that are covered by services offered by Hainan Qiyan.

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Technology and treatment deployed

As a hospital operator, Hainan Qiyan is engaged in medical research and development activities. It owns, operates and utilizes certified laboratories to facilitate its R&D efforts. Additionally, Hainan Qiyan has obtained approval and has implemented the use of novel foreign registered medication (which cannot be prescribed in other regions in the PRC) for various treatments, including the use of blood cholesterol regulating drug inclisiran developed by a reputable pharmaceutical company and approved by the FDA.

Hainan Qiyan also plans to seek application for other foreign registered medications, including a metabolic arthritis drug, an orally ingested vaginal yeast infection medication and an acne treatment cream marketed by overseas pharmaceutical companies. These approvals and applications were made possible as a result of the preferential governmental policies and regulations in Bo' Ao, Hainan Province, which fosters the development and use of frontier technology by Hainan Qiyan.

As described above, Hainan Qiyan has a different business focus from our Group and provides services that is not otherwise provided by our Group. The Company is of the view that operation of Hainan Qiyan within our Group would require significant dedication of management attention on frontier technologies and innovative products offerings of Hainan Qiyan. Given that Hainan Qiyan's operation is not part of our Core Business, the two businesses can be clearly delineated. Furthermore, while our Group operates nationally within the PRC and has a presence across 99 cities within the PRC, Hainan Qiyan only operates its business in Bo' Ao, Hainan province and therefore is also geographically delineated from the vast majority of our business operations. In particular, Hainan Qiyan is only able to engage in the licensed medical business such as provision of foreign registered and licensed drugs and medical devices as well as the licensed medical research in the Bo' Ao region pursuant to the Regulations of Hainan Free Trade Port Bo' Ao Lecheng International Medical Tourism Pilot Zone (海南自由貿易港博鰲樂城國際醫療旅遊先行區條例) and the Interim Provisions on Clinical Research and Conversion Application of Stem Cell Medical Technology in Hainan Bo' Ao Lecheng International Medical Tourism Pilot Zone (海南博鰲樂城國際醫療旅遊先行區幹細胞醫療技術臨床研究與轉換應用暫行規定). The operation of Hainan Qiyan's businesses relying on such pilot programs will therefore be restricted to the Bo' Ao region and cannot be expanded beyond the pilot zone.

Hainan Qiyan requires its patients to undergo certain diagnostic analysis as a preliminary step to its tailored medical services to its patients, such services are

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fundamentally different from the Company's detection and assessment services which are provided to customers who wants a better understanding of their overall health profile and identify suitable subhealth assessment and intervention solutions which are offered by our Group. In order to further delineate the operations between the Group and Hainan Qiyan, Hainan Qiyan has also entered into a deed of non-competition in favor of our Company, please refer to the paragraph headed "— The Hainan Qiyan Deed of Non-competition" in this section for further details. In addition, its shareholders have also entered into a shareholders' resolution confirming that unless the resolution is revoked by its shareholders at a duly convened shareholders meeting, it will not engage in any Restricted Business (as defined below). Please also refer to the subsection headed "— Corporate Governance Measures" in this section below for further details of the measures adopted by the Group to monitor and ensure delineation between business of the Group and Hainan Qiyan.

The services offered by the Group and Hainan Qiyan (including but not limited to the subhealth assessment and intervention services provided by our Group under the Neology brand as well as the respective diagnostic and detection services of Hainan Qiyan and the Group) are intended to serve different purposes and address different concerns of the Group's customers and Hainan Qiyan's patients, please refer to the table set forth above for further delineation of such service offerings.

Given the clear delineation between the Core Business of our Group and Hainan Qiyan's business, our Board is satisfied that our business is and will continue to be independent of our Controlling Shareholders. Save as disclosed above, as of the Latest Practicable Date, our Controlling Shareholders confirm that they did not have an interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our Core Business, that requires disclosure under Rule 8.10 of the Listing Rules.

DEED OF NON-COMPETITION

For the purpose of the [REDACTED], Mr. Li, Ms. Li, Mr. Lian, Niu Guifen, Cui Yuanjun and Yuan Huimin (each being our Controlling Shareholders) have entered into a deed of non-competition in favor of the Company (the "**Deed of Non-competition**"), pursuant to which each of our Controlling Shareholders (collectively, the "**Covenantors**" and each a "**Covenantor**") has, amongst other matters, irrevocably and unconditionally undertaken with our Company (for itself and as trustee for its subsidiaries) that at any time during the Restricted Period (as defined below), that they would not and would use their best endeavors to procure that their respective associates (except any members of the Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm, company or entity, carry on, engage in, invest in, participate in, attempt to participate in, hold any right or have any financial interests in or otherwise be involved in or interested (economically or otherwise) in, any business or investment activities which are the same as, similar to or in competition with our core business, being provision of beauty and health management services (i.e. traditional beauty services, aesthetic medical services, surgical aesthetic medical services as well as subhealth assessment and intervention services) (the "**Restricted Business**") (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

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The Covenantors have further irrevocably and unconditionally undertaken that during the Restricted Period (as defined below), they should first offer new business opportunities to us in the following manner when any investment or other commercial business opportunities (but excluding any opportunities from Hainan Qiyang's individual patients which would be impractical and unduly burdensome, a "**New Business Opportunities**") related to the Restricted Business when such opportunities become available to them:

- (a) They will make referral of the New Business Opportunities to us, and will as soon as possible inform us in writing ("**Offer Notice**") about all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group.
- (b) Upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities, taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform the Covenantors in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued.
- (c) Only when (a) the Covenantors have received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our core business; or (b) the Covenantors have not received the relevant notice from our Company within the period as stated above in paragraph (b) after the Offer Notice has been received by us, then the Covenantors will be entitled to take up the New Business Opportunities on terms and conditions that are not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by the Covenantors, referral of the revised New Business Opportunities shall be made by the Covenantors to us again in the manner as stated above.

The above undertaking does not prevent the Covenantors from:

- (a) holding and/or being interested in, directly or indirectly, an interest in the Group from time to time;
- (b) holding and/or being interested in, directly or indirectly, an investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity which engage in any Restricted Business

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(collectively the "**Competing Entity**") where the aggregate number of shares held by the Covenantors and/or their respective associates (except any members of our Group) does not exceed 10% of the issued shares of that class of shares of such Competing Entity provided that (i) such investment or interest does not grant, nor does any Covenantor and/or its associates (except any members of our Group) otherwise hold, any right to control the composition of the board of directors or managers of such Competing Entity nor any right to participate, directly or indirectly, in such Competing Entity; and (ii) none of the Covenantors and their respective associates (except any members of our Group) is the controlling shareholder of such Competing Entity;

- (c) holding and/or being interested in, directly or indirectly, any Restricted Business which our Group has decided not to make an investment as approved in writing by all the independent non-executive Directors; or
- (d) holding and/or being interested in, directly or indirectly, an investment or commercial opportunity relating to the Restricted Business which has first been offered or made available by any of the Covenantors to us, and either we do not respond to the offer by the due date, or after the decision by our independent non-executive Directors we decline in writing to accept such an opportunity.

Under the Deed of Non-competition, each Covenantor has further undertaken jointly and severally, to us (for ourselves and as trustee for the benefit of each of our subsidiary from time to time) the following:

- (i) each Covenantor has acknowledged that the independent non-executive Directors will review, where necessary and at least on an annual basis, the compliance with the undertaking contained in the Deed of Non-competition;
- (ii) it will provide, and will procure its associates (other than members of our Group) to provide, where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable the independent non-executive Directors to enforce the Deed of Non-competition;
- (iii) without prejudicing the generality of paragraph (i) above, it will provide to us with an annual declaration on its compliance with the terms of the Deed of Non-competition for inclusion in our annual report;
- (iv) each Covenantor has acknowledged that our Company will make disclosures in our annual reports or by way of announcements regarding the decisions and the rationale of those decisions (as appropriate) of our independent non-executive Directors on matters referred to in the Deed of Non-competition and each of them gives its general consent to such disclosure;

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- (v) in the event that any disagreement between the Covenantors and us as to whether or not any activity or proposed activity of the Covenantors constitutes a Restricted Business, the matter shall be determined by our independent non-executive Directors whose majority decision shall be final and binding; and
- (vi) each Covenantor shall excuse themselves from, and abstain from voting and not be counted as quorum of, any meetings of Shareholders for consideration and approval of any matters referred to in the Deed of Non-competition which have or may give rise to conflicts of interest, actual or potential.

Pursuant to the Deed of Non-competition, the above restrictions would apply throughout the "Restricted Period", being the period commencing from the [REDACTED] and ending on the earlier of the following date:

- (1) the Covenantors and/or their respective associates (other than any member of the Group) ceasing to hold, directly or indirectly, an aggregate of at least 30% of the issued share capital (or ceasing the control to exercise the voting rights of such shareholding) of our Company;
- (2) the Covenantors and/or their respective associates (other than any member of the Group) considered together as if they were one single Shareholder ceasing to be the largest single Shareholder; or
- (3) our Shares ceasing to be [REDACTED] on the [REDACTED] (except for temporary suspension of [REDACTED] of our Shares).

THE HAINAN QIYAN DEED OF NON-COMPETITION

Hainan Qiyang has also entered into a deed of non-competition in favor of the Company (the "**Hainan Qiyang Deed of Non-competition**"), pursuant to which Hainan Qiyang has, amongst other matters, irrevocably and unconditionally undertaken with our Company that at any time during the Hainan Qiyang Restricted Period (as defined below), that it would not and would use its best endeavors to procure that its associates (except any members of the Group) would not, directly or indirectly, or as principal or agent either on their own account or in conjunction with or on behalf of any person, firm, company or entity, carry on, engage in, invest in, participate in, attempt to participate in, hold any right or have any financial interests in or otherwise be involved in or interested (economically or otherwise) in, any business or investment activities which are the same as the Restricted Business (whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person).

Hainan Qiyang has further irrevocably and unconditionally undertaken that during the Hainan Qiyang Restricted Period (as defined below), they should first offer any New Business Opportunities related to the Restricted Business when such opportunities become available to them:

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- (a) They will make referral of the New Business Opportunities to us via an Offer Notice containing all necessary and reasonably required information in respect of any New Business Opportunities (including but not limited to details of the nature and investment or acquisition cost of the New Business Opportunities) for us to consider (a) whether the relevant New Business Opportunities will compete with our business, and (b) whether taking up the New Business Opportunities is in the interest of our Group.
- (b) Upon receipt of the Offer Notice, the independent non-executive Directors will consider whether to pursue the New Business Opportunities, taking into account whether the relevant New Business Opportunities would be able to achieve a sustainable profitability level, whether they are in line with the prevailing development strategies of our Group, and whether they are in the best interest of the Shareholders. Our Company must inform Hainan Qiyan in writing within 20 Business Days after receipt of the Offer Notice about its decision on whether the New Business Opportunities will be pursued.
- (c) Only when (a) Hainan Qiyan has received our notice to reject the New Business Opportunities and our confirmation that the relevant New Business Opportunities are not considered to be able to compete with our core business; or (b) Hainan Qiyan has not received the relevant notice from our Company within the period as stated above in paragraph (b) after the Offer Notice has been received by us, then Hainan Qiyan will be entitled to take up the New Business Opportunities on terms and conditions that are not more favorable than those specified in the Offer Notice issued to us.

If material changes occur in the terms and conditions of the New Business Opportunities after the referral of which have been made or procured to be made to us by Hainan Qiyan, referral of the revised New Business Opportunities shall be made by Hainan Qiyan to us again in the manner as stated above.

The above undertaking does not prevent Hainan Qiyan from:

- (a) holding and/or being interested in, directly or indirectly, an interest in the Group from time to time;
- (b) holding and/or being interested in, directly or indirectly, an investment or interest in units or shares of Competing Entity where the aggregate number of shares held by Hainan Qiyan and/or its associates (except any members of our Group) does not exceed 10% of the issued shares of that class of shares of such Competing Entity provided that (i) such investment or interest does not grant, nor does Hainan Qiyan and/or its associates (except any members of our Group) otherwise hold, any right to control the composition of the board of directors or managers of such Competing Entity nor any right to participate, directly or indirectly, in such Competing Entity; and (ii) neither Hainan Qiyan nor their respective associates (except any members of our Group) is the controlling shareholder of such Competing Entity;

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- (c) holding and/or being interested in, directly or indirectly, any Restricted Business which our Group has decided not to make an investment as approved in writing by all the independent non-executive Directors; or
- (d) holding and/or being interested in, directly or indirectly, an investment or commercial opportunity relating to the Restricted Business which has first been offered or made available by Hainan Qiyian to us, and either we do not respond to the offer by the due date, or after the decision by our independent non-executive Directors we decline in writing to accept such an opportunity.

Hainan Qiyian has further undertaken to us (for ourselves and as trustee for the benefit of each of our subsidiary from time to time) the following:

- (i) Hainan Qiyian has acknowledged that the independent non-executive Directors will review, where necessary and at least on an annual basis, the compliance with the undertaking contained in the Hainan Qiyian Deed of Non-competition;
- (ii) it will provide, and will procure its associates (other than members of our Group) to provide, where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable the independent non-executive Directors to enforce the Hainan Qiyian Deed of Non-competition;
- (iii) without prejudicing the generality of paragraph (i) above, it will provide to us with an annual declaration on its compliance with the terms of the Deed of Non-competition for inclusion in our annual report;
- (iv) Hainan Qiyian has acknowledged that our Company will make disclosures in our annual reports or by way of announcements regarding the decisions and the rationale of those decisions (as appropriate) of our independent non-executive Directors on matters referred to in the Hainan Qiyian Deed of Non-competition and gives its general consent to such disclosure;
- (v) in the event that any disagreement between Hainan Qiyian and us as to whether or not any activity or proposed activity of Hainan Qiyian constitutes a Restricted Business, the matter shall be determined by our independent non-executive Directors whose majority decision shall be final and binding; and
- (vi) Hainan Qiyian shall, in the event that it is a Shareholder, excuse themselves from, and abstain from voting and not be counted as quorum of, any meetings of Shareholders for consideration and approval of any matters referred to in the Hainan Qiyian Deed of Non-competition which have or may give rise to conflicts of interest, actual or potential.

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Pursuant to the Hainan Qiyao Deed of Non-competition, the above restrictions would apply throughout the "Hainan Qiyao Restricted Period", being the period commencing from the [REDACTED] and ending on the earlier of the following date:

- (1) the ending of the Restricted Period under the Deed of Non-competition for all of the parties therein;
- (2) the parties to the Deed of Non-competition and/or their respective associates (other than any member of the Group) at the time of [REDACTED] ceasing to hold, directly or indirectly, an aggregate of at least 30% of the issued share capital (or ceasing the control to exercise the voting rights of such shareholding) of Hainan Qiyao;
- (3) our Shares ceasing to be [REDACTED] on the [REDACTED] (except for temporary suspension of [REDACTED] of our Shares).

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

We believe that we are capable of carrying on our business independently from our Controlling Shareholders and their associates upon [REDACTED] for the following principal reasons:

Operational Independence

Although our Controlling Shareholders will retain a controlling interest in us after [REDACTED], for the reasons stated below, we have full rights to make all decisions on, and to carry out, our own business operations independently. We have our independent and separate senior management team and our own staff to support the operations and management of our Core Business. We have registered the relevant intellectual property rights relating to relevant technologies of our business. We hold the licenses and qualifications necessary to carry on our current business, and have sufficient capital, facilities, technology and employees to operate the business independently from our Controlling Shareholders. We have access to suppliers and customers independently from and not connected to our Controlling Shareholders for sources of suppliers and customers.

We have conducted certain connected transactions or continuing connected transactions with Hainan Qiyao, including a referral arrangement where we would refer suitable customers to Hainan Qiyao and receive a cooperation fee in return for the services as well as property lease. For reasons and further details on such transactions, please refer to the section headed "Connected Transaction — Our Continuing Connected Transactions" in this document.

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Notwithstanding such connected transactions or continuing connected transactions, we have been operating and will continue to operate independently from Hainan Qiyan on the following bases:

- (i) although we will generate revenue through our referral of customers to Hainan Qiyan, the revenue generated only amounted to 0.38%, 1.12% and 1.01% of our total revenue for the years ended December 31, 2019, 2020 and 2021, respectively, we also believe that we will be able to seek alternative Independent Third Parties operating frontier medical services to meet our customers' needs should we cease to cooperate with Hainan Qiyan;
- (ii) the revenue derived from our property lease to Hainan Qiyan is ancillary in nature and unrelated to our Core Business and we do not rely on such revenue for our business and operation. We also believe that the property lease is made on normal commercial terms and we could also lease the property to Independent Third Parties should Hainan Qiyan cease to lease the property from us;
- (iii) such continuing connected transactions are entered into during our ordinary and usual course of business based on arm's length negotiations and on normal commercial terms, which are fair and reasonable, and are in the interest of our Company and Shareholders as a whole; and
- (iv) we have put in place certain internal review procedures for our non-exempt continuing connected transactions. For details, please refer to the paragraphs headed "Connected Transactions — Internal Control Measures for Non-exempt Continuing Connected Transactions" in this document.

Based on the above, our Directors are satisfied that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our Board and senior management function independently from our Controlling Shareholders. Our Board comprises two executive Directors, three non-executive Directors and three independent non-executive Directors and none of our Directors and/or senior management is a director or senior management of Hainan Qiyan.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among others, that he or she must act for the benefit of and in the best interests of our Company and not allow any conflict between his or her duties as a Director and his personal interests. Further, we believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board. See "— Corporate Governance Measures" in this section for further details.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control functions of our Company, independent from our Controlling Shareholders. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates. During the Track Record Period and as of the Latest Practicable Date, there were no loans, advances and other non-trade balances due to and from the Controlling Shareholders.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their close associates after the [REDACTED].

DIRECTORS' INTEREST IN COMPETING BUSINESS

As of the Latest Practicable Date, save as disclosed in this section, none of our Directors had an interest in any business which competes or is likely to compete, either directly or indirectly, with our business, that requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

- (a) under the Articles of Association, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholder or any of their associates has a material interest, the Controlling Shareholders or their associates will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the [REDACTED], if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholder (the "Annual Review") and provide impartial and professional advice to protect the interests of our minority Shareholders;

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- (d) our Controlling Shareholder will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and
- (g) we have appointed Haitong International Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations in Hong Kong, as well as the Listing Rules, including various requirements relating to corporate governance from the [REDACTED] to the date when our Company distribute our annual report of our financial results for the first full financial year commencing after the [REDACTED].

In addition, the Company will maintain a corporate governance structure that will enable the Company effectively make business decisions when dealing with Hainan Qiyan. The Company intends to enable the disinterested Directors, who each possesses extensive experience in legal, financial management and medical fields will be able to deliberate and make sound business decisions that are brought before the Board for consideration.

In order to further strengthen the Board's ability to deliberate and decide on matters such as those involving Hainan Qiyan, the Company will implement the following policies at its Board level:

1. All Directors who are interested in a transaction must abstain from the decision making process of the relevant decision, any dealings between the Company and Hainan Qiyan will be subject to the decision of the disinterested Directors.
2. The Company will also adhere to the relevant rules and accounting standards, including but not limited to the disclosure and shareholder's approval requirement for connected transaction under the Listing Rules and the disclosure and accounting procedure on related party transactions under applicable accounting policies.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

3. The Board will implement sufficient protection mechanism in agreements between the Company and Hainan Qiyian or undertaking given by Hainan Qiyian in favor of us in order to restrict Hainan Qiyian's ability to offer services falling under the Restricted Business to its clients, including an option for the Group to terminate our lease agreement with Hainan Qiyian (in relation to its sole premise of operations) in the event of a breach of the above covenant.
4. The disinterested Directors will receive quarterly progress update reports for transactions with Hainan Qiyian from the management and operations team directly responsible for the transaction, as well as findings from the internal audit and operations team on whether they had discovered any engagement in Restricted Business or other potential breach of the Hainan Qiyian Deed of Non-competition by Hainan Qiyian and will have the opportunity to follow-up on any issues or request for additional information or documents directly from the relevant management and operations team.
5. The management and operations team has been given instructions to cooperate and provide requested information and documents to the disinterested Directors directly without involvement of any Directors who are interested.
6. In the event that the disinterested Directors are of the view that they would require additional assistance to assess the reasonableness or any other aspect of the transactions, they may resolve to engage any professional advisers and counsels (at the Company's cost) to review and advise them on matters pertaining to the transactions.
7. Our executive Directors have confirmed that at any time during the Hainan Qiyian Restricted Period, as part of the Annual Review described above Hainan Qiyian will confirm to the Company and the Company will disclose in our annual report a positive confirmation from them as to whether, to the best of their knowledge, Hainan Qiyian has operated any business which may fall within the Restricted Business.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [REDACTED].