
CONNECTED TRANSACTIONS

OVERVIEW

We have entered into certain continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the [REDACTED] of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Following the [REDACTED], the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name	Connected Relationship
Dr. Li	Dr. Li is an executive Director, the chief executive officer and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Dr. Zhang	Dr. Zhang is an executive Director, chairman of the Board and one of our Controlling Shareholders, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Mr. Yang	Mr. Yang is a director of Shanghai MedSci, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Qiming Ronghe	Qiming Ronghe holds 10.72% equity interests in Shanghai MedSci and is therefore a connected person of our Company under 14A.07(1) of the Listing Rules.
Shanghai MedSci	Shanghai MedSci is held as to 36.11% by Dr. Li, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Hefei Kang'en	Hefei Kang'en is held as to 99% by Dr. Zhang, and therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.
Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital	Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital are directly and indirectly wholly owned by Shanghai MedSci, and therefore connected persons of our Company under Rule 14A.07(4) of the Listing Rules.

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SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) for the year ending December 31,		
				2023	2024	2025
Fully-exempt continuing connected transaction						
1	Trademark License Agreement	14A.76(1)(a)	N/A	N/A	N/A	N/A
Non-exempt continuing connected transactions						
2	Contractual Arrangements	14A.35, 14A.36, 14A.46, 14A.52, 14A.53 and 14A.105	Requirements as to announcement, circular, independent shareholders’ approval, annual cap, and terms not more than three years	N/A	N/A	N/A

FULLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark License Agreement

Principal Terms

The Company entered into a trademark license agreement (the “**Trademark License Agreement**”) with Shanghai MedSci on April 21, 2022, pursuant to which Shanghai MedSci agreed to grant a non-exclusive and irrevocable right to our Company to use a number of trademarks (the “**Licensed Trademarks**”) owned by Shanghai MedSci and to sublicense the Licensed Trademarks, for a consideration of HK\$1, during the period from the date of the agreement to the expiry of the validity period of the Licensed Trademarks or as agreed otherwise by the parties.

Listing Rules Implications

Dr. Li is an executive Director, the chief executive officer and one of the Controlling Shareholders of our Company, and holds 36.11% equity interests in Shanghai MedSci as of the Latest Practicable Date. As such, Shanghai MedSci is an associate of Dr. Li, and a connected person of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) is less than 0.1%, the transaction under the Trademark License Agreement is exempt from reporting, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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As required by Rule 14A.52 of the Listing Rules, the period for the agreement for the continuing connected transactions must not exceed three years, except in cases where the nature of the transaction requires the agreement to be of a duration longer than three years. The Directors are of the view that the Trademark License Agreement was entered into on normal commercial terms and can secure long-term trademark use rights for us, thus avoiding unnecessary business disruptions and help ensure stable business relationship with our major customers and continuity of our market recognition, and it is normal business practice for trademark license agreement of similar type to be entered into for such duration. The Joint Sponsors concur with the Company’s reasons for requiring a longer term for the Trademark License Agreement, and are of the view that entering into such agreement with a term of over three years is in line with normal business practice.

Reasons for and Benefits of the Transaction

We have been using the Licensed Trademarks for our business operations during the Track Record Period, and the Licensed Trademarks reflect our corporate identity and represent our industry expertise and high-quality service. Using the Licensed Trademarks will enable us to continue leveraging on our brand recognition and reputation. Our Directors (including the independent non-executive Directors) are of the view that the Trademark License Agreement and the transaction contemplated thereunder have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Historical Amount

The Company made no payment to Shanghai MedSci in relation to the Licensed Trademarks granted by Shanghai MedSci for the three years ended December 31, 2020, 2021 and 2022.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Contractual Arrangements

Background

As disclosed in “Contractual Arrangements — PRC Laws and Regulations Relating to Foreign Ownership Restrictions”, the PRC laws and regulations currently restrict foreign investment in value-added telecommunications services and prohibit foreign investment in the production of radio and television video and programs. Due to such regulatory restrictions on foreign ownership in the PRC, we are restricted from holding direct interests in our Consolidated Affiliated Entities. As a result, (i) the WFOE, our PRC Affiliated Entities and Shanghai MedSci Registered Shareholders have entered into the Shanghai MedSci Contractual Arrangements, and (ii) the WFOE, Hefei Kang’en and the Hefei Kang’en Registered Shareholders have entered into the Hefei Kang’en Contractual Arrangements, such that we can conduct our business operations in the PRC through our Consolidated Affiliated Entities while complying with applicable PRC law and regulations.

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The Contractual Arrangements, as a whole, are designed to provide our Group with effective control over the financial and operational policies of our Consolidated Affiliated Entities, to the extent permitted by PRC law and regulations, the exclusive option to acquire all or part of the equity interests in and/or the assets of our Consolidated Affiliated Entities after the [REDACTED] through the WFOE. As we operate our business through our Consolidated Affiliated Entities and we do not hold any direct equity interests in any of them, the Contractual Arrangements were entered into on November 5, 2021, as further amended by supplemental agreements dated April 17, 2022, pursuant to which all material business activities of our Consolidated Affiliated Entities are instructed and supervised by our Group through the WFOE, and all economic benefits arising from such business of our Consolidated Affiliated Entities are transferred to our Group.

Principal Terms

The Contractual Arrangements consist of a series of agreements, including the Exclusive Business Cooperation Agreements, the Exclusive Technical Service and Management Consultancy Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreements, the Shareholders’ Rights Entrustment Agreement, Shareholders’ Power of Attorney and the Spouse Undertakings, each of which is an integral part of the Contractual Arrangements. See “Contractual Arrangements” in this Document for details of these agreements.

Listing Rules Implications

For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, both Shanghai MedSci and Hefei Kang’en will be treated as our Company’s subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our Company’s connected persons. Each of Dr. Zhang and Dr. Li is an executive Director and a Controlling Shareholder of our Company, and Mr. Yang is a director of Shanghai MedSci. Dr. Li holds 36.11% equity interests in Shanghai MedSci as of the Latest Practicable Date. Dr. Zhang holds 99% equity interests in Hefei Kang’en as of the Latest Practicable Date. As such, under Chapter 14A of the Listing Rules, Shanghai MedSci is an associate of Dr. Li, and Hefei Kang’en is an associate of Dr. Zhang. Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital are wholly owned by Shanghai MedSci, and as such under Chapter 14A of the Listing Rules, each of them is an associate of Dr. Li. Qiming Ronghe holds 10.72% equity interests in Shanghai MedSci. Therefore, each of Dr. Zhang, Dr. Li, Mr. Yang, Qiming Ronghe, Shanghai MedSci, Hefei Kang’en, Hangzhou Yilan, Shanghai Chungu and Yika Internet Hospital is a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [REDACTED].

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Reasons for the Transaction and the Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our structure, whereby the financial results of the Consolidated Affiliated Entities are consolidated into our financial statements as if they are our Company’s subsidiaries, and all the economic benefits of their businesses flow to our Group, places our Group in a special position in relation to the connected transaction rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our Consolidated Affiliated Entities and any member of our Group (the “**New Intergroup Agreements**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that (i) the Contractual Arrangements and the New Intergroup Agreements are no different to transactions conducted between a subsidiary that we wholly own its entire equity interests and the rest of the Group, and (ii) given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders’ approval requirements.

Application for Waiver

In view of the Contractual Arrangements and the New Intergroup Agreements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (i) the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are [REDACTED] on the Stock Exchange subject, however, to the following conditions:

(a) No change without independent non-executive Directors’ approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders’ approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company’s independent shareholders.

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Once independent shareholders’ approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group’s option, to the extent permitted under PRC laws and regulations, to acquire all or part of the interests held by the Registered Shareholders in our Consolidated Affiliated Entities at the lowest possible amount permissible under the applicable PRC laws and regulations, (ii) the business structure under which the net profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by our Consolidated Affiliated Entities under the Exclusive Technical Service and Management Consultancy Agreements, and (iii) our Group’s right to control the management and operation of, as well as, in substance, all of the voting rights of our Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however, be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company’s annual report in accordance with relevant provisions of the Listing Rules.

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- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company’s annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and have been operated so that the profit generated by our Consolidated Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our Consolidated Affiliated Entities to their shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.
- Our Company’s auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to their shareholders which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, each of our Consolidated Affiliated Entities will be treated as our Company’s wholly-owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of each of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.
- Each of our Consolidated Affiliated Entities undertakes that, for so long as our Shares are [REDACTED] on the Stock Exchange, each of them will provide our Group’s management and our Company’s auditors full access to its relevant records for the purpose of our Company’s auditors’ review of the continuing connected transactions.

New Intergroup Agreements

Given that the financial results of our Consolidated Affiliated Entities will be consolidated into our financial results and the relationship between our Consolidated Affiliated Entities and our Company under the Contractual Arrangements, the New Intergroup Agreements other than the Contractual Arrangements that may be entered into between each of our Consolidated Affiliated Entities and our Company in the future will also be exempted from the “continuing connected transactions” provisions of the Listing Rules.

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Views of the Directors and the Joint Sponsors

Our Directors (including the independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group’s legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) it is normal business practice for the Contractual Arrangements to be of a term greater than three years.

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Company in relation to the above non-exempt continuing connected transactions; (ii) obtained necessary representations and confirmations from the Company and the Directors; and (iii) participated in the due diligence and discussions with the management of the Group. Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, and the aforesaid non-exempt continuing connected transactions, for which waivers have been sought, have been entered into in the ordinary and usual course of our business of the Group, on normal commercial terms or better, and that the terms are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financials and operation of the Consolidated Affiliated Entities can be effectively controlled by the WFOE; (ii) the WFOE can obtain the economic benefits derived from our Consolidated Affiliated Entities; and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented on an uninterrupted basis.