November 21, 2024

To: the Independent Board Committee and the Independent Shareholders

Dear Sirs,

RENEWAL OF THE CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTRUSTED PRODUCTS RELATED FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Entrusted Products Related Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps), details of which are set out in the letter from the Board (the "**Letter from the Board**") of the circular of the Company dated November 21, 2024 (the "**Circular**"), of which this letter forms a part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the Prospectus in relation to the Existing Entrusted Products Related Framework Agreement entered into between the Company and Lepu Medical on October 18, 2022. As the Existing Entrusted Products Related Framework Agreement will expire on December 31, 2024, the Company and Lepu Medical entered into the Entrusted Products Related Framework Agreement on October 21, 2024 (after trading hours), pursuant to which the Group agreed to, upon commercialization of the TAVR system which may take place as early as December 2024, purchase the TAVR system to be manufactured by Lepu Medical for sales and distribution onwards as authorized by Lepu Medical irrevocably and exclusively pursuant to the asset transfer agreement, with the term of the Entrusted Products Related Framework Agreement of three years commencing from January 1, 2025 and ending on December 31, 2027, subject to renewal upon mutual consent of both parties.

As at the Latest Practicable Date, Lepu Medical is one of the controlling shareholders of the Company, and thus is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Entrusted Products Related

Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio for the Entrusted Products Related Framework Agreement exceeds 5%, the transactions contemplated under the Entrusted Products Related Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Ms. Chan Ka Lai Vanessa, Mr. Zheng Yufeng, and Mr. Zheng Junwei, has been established to advise the Independent Shareholders in relation to the Entrusted Products Related Framework Agreement and the transactions contemplated thereunder and the proposed annual caps (the "**Non-exempt CCTs**"). We, Orient Capital (Hong Kong) Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in the same regard.

INDEPENDENCE

As at the Latest Practicable Date, we are not associated with the Company, Lepu Medical or their respective core connected persons or associates. In the past two years prior to this appointment, there was no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, Lepu Medical or their respective core connected persons or associates that could reasonably be regarded as relevant to our independence. Accordingly, we are considered eligible to act as the Independent Financial Adviser pursuant to Rule 13.84 of the Listing Rules.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on the truth, accuracy and completeness of the statements, information, facts, representations and opinions contained or referred to in this Circular, provided and made to us by the Directors and management of the Company (collectively, the "**Management**"). We have reviewed the information of the Company, among other things, (i) the annual report of the Company for the year ended December 31, 2023 (the "**2023 Annual Report**") and the interim report of the Company for the six months ended June 30, 2024 (the "**2024 Interim Report**"); (ii) the announcement of the Company dated October 21, 2024 in relation to, among others, the Non-exempt CCTs (the "**Announcement**"); and (iii) other information, representations and opinions as contained or referred to in the Circular. This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this Circular or this Circular misleading. We also have sought and received confirmation from the Directors that no material information or facts have been omitted from the information

supplied and opinions expressed to us were not misleading or deceptive in any material aspects. We consider that the information we have received is sufficient for us to reach an informed view and to provide a reasonable basis for us to formulate our advice and recommendation set out in this letter. We have no reason to believe that any material information or facts have been omitted or withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in this Circular or provided to us, or the reasonableness of the opinions expressed by the Management and the Company. We have, however, not conducted any independent investigation into the business, affairs, operations, financial position or future prospects of the Company, Lepu Medical or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of this Circular, save and except for this Letter. We have also assumed that all representations contained or referred to in the Circular were true at the time they were made and at the date of the Circular and will continue to be true up to the time of the EGM, and Shareholders will be informed of any material change as soon as possible.

Our advice is necessarily based on the prevailing financial, economic, market and other conditions and the information made available to us as at the Latest Practicable Date. Where information in this Letter has been extracted from published or otherwise publicly available sources, the sole responsibility of ours is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant stated sources and not used out of context. This Letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the matters relating to the terms of the Entrusted Products Related Framework Agreement and the transactions contemplated thereunder and the proposed annual caps. Except for its inclusion in this Circular, this Letter is not to be quoted or referred to, in whole or in part, nor shall this Letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

1. Information of the Parties

1.1 Information of the Group

The Company is a joint stock limited liability company established in the PRC on January 29, 2021. The Company is a leading interventional medical device provider in the PRC for congenital heart diseases, a major field of application for structural heart diseases. The Company is principally engaged in the research, development, manufacture and commercialization of interventional medical devices primarily targeting structural heart diseases. The Company was listed on the Main Board of the Stock Exchange on November 8, 2022.

Set out below is the summary of the financial results of the Group for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2023 and 2024, as extracted from the 2023 Annual Report and the 2024 Interim Report:

Table 1: Highlights of the financial results of the Group

	For the six months ended June 30,		**For the year ended December 31,**	
	2024	**2023**	**2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Audited)*	*(Audited)*
Revenue	249,100	166,351	325,896	247,670
– CHD occluder products	*128,570*	*125,185*	*230,199*	*182,661*
– Pathway products	*40,346*	*33,778*	*66,550*	*53,709*
– PFO and LAA occlude products	*79,763*	*6,817*	*28,980*	*11,059*
– Other products	*421*	*572*	*167*	*241*
Gross profit	226,670	147,733	288,811	219,686
Profit for the year/period attributable to owners of the Company	140,228	75,572	151,532	(19,813)

For the six months ended June 30, 2023 and 2024

The Group's revenue increased by approximately 49.7% from approximately RMB166.4 million for the six months ended June 30, 2023 ("**1H2023**") to approximately RMB249.1 million for the six months ended June 30, 2024 ("**1H2024**"). As disclosed in the 2024 Interim Report, the increase was mainly due to the significant increase in revenue generated from sales of patent foramen ovale ("**PFO**") and LAA occluder products, which was primarily attributable to the successful market entry of the Group's new product biodegradable PFO occluders.

The Group's gross profit increased by approximately 53.4% from approximately RMB147.7 million for 1H2023 to approximately RMB226.7 million for 1H2024. The increase in the Group's gross profit was in line with the growth in its overall revenue.

The Group's profit attributable to owners of the Company of approximately RMB140.2 million for 1H2024, representing a period-on-period increase of approximately 85.6% from 1H2023. Such increase was mainly attributable to (i) the increase in gross profit; (ii) the decrease in finance costs due to reasonable financial planning; and (iii) the decrease in research and development expenses, and partially offset by the increase of loss on impairment of credit.

For the two years ended December 31, 2022 and 2023

The Group's revenue increased by approximately 31.6% from approximately RMB247.7 million for the year ended December 31, 2022 ("**FY2022**") to approximately RMB325.9 million for the year ended December 31, 2023 ("**FY2023**"). For the two years ended December 31, 2022 and 2023, a majority of the Group's revenue was generated from sales of congenital heart diseases ("**CHD**") occluder products. Revenue generated from sales of CHD occluder products increased by approximately 26.0% from approximately RMB182.7 million (representing approximately 73.8% of sales revenue in the corresponding period) for FY2022 to approximately RMB230.2 million (representing approximately 70.6% of revenue in the corresponding period) for FY2023, as the Group continued to grow its business. As disclosed in the 2023 Annual Report, revenue generated from sales of CHD occluder products increased significantly, which was primarily attributable to the increased sales volume of the Group's oxide-coated occluder products as they received broad market recognition.

The Group's gross profit for FY2022 and FY2023 amounted to approximately RMB219.7 million and RMB288.8 million respectively, representing an increase of approximately 31.5%. As disclosed in the 2023 Annual Report, the Group's gross profit margin remained basically stable at approximately 88.7% and 88.6% for FY2022 and FY2023, respectively.

The Group recorded profit attributable to owners of the Company of approximately RMB151.5 million for FY2023, as compared to a loss attributable to owners of the Company of approximately RMB19.8 million for FY2022. Such turnaround was mainly attributable to (i) the increase in revenue as well as the gross profit; and (ii) the decrease in listing expenses and net foreign exchange losses.

Set out below is the summary of the financial positions of the Group as at December 31, 2022, 2023 and June 30, 2024 as extracted from the 2023 Annual Report and the 2024 Interim Report:

Table 2: Highlights of the financial positions of the Group

	As at June 30, 2024	**As at December 31, 2023**	**2022**
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	*(Audited)*	*(Audited)*
Total assets	2,149,466	1,986,938	1,809,621
Total liabilities	268,523	60,191	65,094
Net assets	1,880,943	1,926,748	1,744,527

The Group's total assets increased from approximately RMB1,809.6 million as of December 31, 2022 to approximately RMB1,986.9 million as of December 31, 2023, primarily due to (1) an increase in cash and cash equivalents of approximately RMB267.5 million, (2) an increase in intangible assets of approximately RMB77.1 million, (3) an increase in long-term bank deposits of approximately RMB22.9 million, partially offset by the decrease in financial assets at fair value through profit or loss of RMB258.1 million. The Group's total assets increased from approximately RMB1,986.9 million as of December 31, 2023 to approximately RMB2,149.5 million as of June 30, 2024, primarily due to an increase in financial assets held-for-trading of approximately RMB171.6 million, partially offset by the decrease in cash at bank and on hand of approximately RMB67.9 million. Meanwhile, the Group's net assets as at June 30, 2024, December 31, 2023 and December 31, 2022 have remained relatively stable.

1.2 Information of Lepu Medical

Lepu Medical is a company listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003), one of the controlling shareholders of the Company. Lepu Medical is principally engaged in the research, development, manufacture and commercialization of interventional medical devices primarily targeting structural heart diseases.

2. The Entrusted Products Related Framework Agreement

2.1 Reasons for and Benefits of Entering into the Entrusted Products Related Framework Agreement

As stated in the Letter from the Board, the Existing Entrusted Products Related Framework Agreement included conducting the research and development, registration and the manufacturing of the TAVR system and TMVCRS by the Retained Lepu Medical Group upon their commercialization. As the Group anticipates no demands for clinical trials and manufacturing of the TMVCRS in the next three years, the Group has decided to only entrust the Retained Lepu Medical Group to manufacture the TAVR system upon its commercialization, which may take place as early as December 2024, in the Entrusted Products Related Framework Agreement. As disclosed in the Prospectus, due to the regulatory restrictions as stipulated under the Catalogue of Medical Device Prohibited from Entrusted Production (《禁止委託生產醫療器械目錄》) (the "**Prohibited Catalogue**") published by NMPA, Lepu Medical, as the medical device registrant, would be prohibited from authorizing the Group or other manufacturers to manufacture the TAVR system and thus the Group was not allowed to directly take over and continue with the subsequent research and development, registration and manufacturing activities (the "**Relevant Activities**") of the TAVR systems. Therefore, only the Retained Lepu Medical Group is entitled to continue the Relevant Activities for the relevant entrusted products and it is not feasible for the Group to seek supply/manufacture of TAVR system from other independent parties. In the event the prohibitions on the Relevant Activities are lifted, the Company's decision regarding the termination of the Entrusted Products Related Framework Agreement and taking over the Relevant Activities will be subject to a comprehensive evaluation of the Company's then-existing manufacturing capabilities, cost efficiencies, and market conditions, including the quotations from independent third parties. Entrusting the Retained Lepu Medical Group with the manufacturing of the TAVR system is crucial to the realization of their

commercialization and subsequent monetization, which are integral to the injection of interventional heart valve business from Lepu Medical to the Group. This transaction strategically complemented the Group's existing product portfolio and enabled the Group to have a product portfolio covering all three major fields of application in the interventional medical device market targeting structural heart diseases. As further noted from the 2024 Interim Report, the Management believes that, following the approval of the TAVR system for commercialization, the Company's strategy of differentiated competition is expected to deliver safer and better products to clinical-end and generate greater revenue to the Company, which will greatly change the competitive layout of the Company in the field of structural heart disease.

In view of (i) the regulatory restrictions as stipulated under the Prohibited Catalogue published by NMPA, Lepu Medical, as the medical device registrant, would be prohibited from authorizing the Group or other manufacturers to manufacture TAVR systems and thus Group was prohibited to directly take over and continue with the Relevant Activities of the TAVR systems and thus it is only reasonable for Lepu Medical to continue the Relevant Activities for the relevant entrusted products, and that we have further enquired with the Management and was advised that such relevant laws and regulations in connection with the entrusted products (including the TAVR systems) as specified under the Prohibited Catalogue still remains the same and effective as at the Latest Practicable Date; and (ii) the fact that the commercialization of the TAVR systems would strategically complemented the Group's existing product portfolio and enabled the Group to have a product portfolio covering all three major fields of application in the interventional medical device market targeting structural heart diseases and greatly change the competitive layout of the Company in the field of structural heart disease, thus we consider that the entering into of the Entrusted Products Related Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group and in the interests of the Company and the Independent Shareholders as a whole.

2.2 Principal terms of the Entrusted Products Related Framework Agreement

The following sets forth the principal terms of the Entrusted Products Related Framework Agreement. For detailed terms of the Entrusted Products Related Framework Agreement, please refer to the section headed "*2. Renewal of the Continuing Connected Transactions in relation to the Entrusted Products Related Framework Agreement*" in the Letter from the Board.

Date:	October 21, 2024 (after trading hours)
Parties:	(i) The Company; and (ii) Lepu Medical.
Scope:	Pursuant to the Entrusted Products Related Framework Agreement, the Group agreed to, upon commercialization of the TAVR system which may take place as early as December 2024, purchase the TAVR system to be manufactured by Lepu Medical for sales and distribution onwards as authorized by Lepu Medical irrevocably and exclusively pursuant to the asset transfer agreement.

Term: The term of the Entrusted Products Related Framework Agreement is three years commencing from January 1, 2025 and ending on December 31, 2027, subject to renewal upon mutual consent of both parties.

Individual agreements: The Group may enter into individual agreements separately with Retained Lepu Medical Group with respect to different transactions which provide for specific terms and conditions including target, price, payment and other terms in accordance with the Entrusted Products Related Framework Agreement and applicable laws.

Pricing Policy: Upon the commercialization of TAVR system, the Group will purchase the TAVR system manufactured by Lepu Medical at price to be determined by (i) the actual costs and expenses for manufacturing the TAVR system (including costs of raw materials, labor power, depreciation of equipment and consumption of manufacturing utilities involved); and (ii) a profit rate of 10% determined with reference to Provisions on Certain Specific Issues of Value-added Tax (《增值税若干具體問題的規定》) issued by the State Administration of Taxation in December 1993 which suggested 10% as a presumed profit rate for goods that are sold at a significantly low price or with no definitive selling price.

In order to ensure that the pricing terms of the transaction under the Entrusted Products Related Framework Agreement are fair and reasonable and in line with market practices, the Company will review and compare the unit cost of manufacturing the TAVR system to be incurred by Retained Lepu Medical Group with the unit cost of comparable products from at least two independent third parties. In the event that the cost of any raw material or components for manufacturing the TAVR system to be incurred by Retained Lepu Medical Group is higher than that from independent third parties with comparable quality, functionality and technology specification, the Group will require Retained Lepu Medical Group to lower the cost to ensure that the unit cost of manufacturing the TAVR to be incurred by Retained Lepu Medical Group will not be higher than that of comparable products from the independent third parties.

Our assessment of the terms of the Entrusted Products Related Framework Agreement

As set out in the paragraph headed "*2.1 Reasons for and benefits of entering into the Entrusted Products Related Framework Agreement*" above, we noted that the background of entering into of the Existing Entrusted Products Related Framework Agreement and the purpose of entering into of the Entrusted Products Related Framework Agreement are to extend the terms of the Existing Entrusted Products Related Framework Agreement, which will expire on December 31, 2024. The Entrusted Products Related Framework Agreement is crucial to the commercialization and monetization of the TAVR system, a key component of the interventional heart valve business transferred from Lepu Medical to the Group. The transaction strategically strengthens the Group's product portfolio, enabling it to encompass all three major application areas in the interventional medical device market targeting structural heart diseases, and through differentiated competition method, the Company expects that this will bring safer and better products to clinical-end and generate greater revenue for the Company.

For our due diligence purpose, we have obtained and reviewed the Entrusted Products Related Framework Agreement and further enquired with the Management regarding the pricing policy and understood that the Group will purchase the TAVR system manufactured by Lepu Medical at price to be determined by (i) the actual costs and expenses for manufacturing the TAVR system (including costs of raw materials, labor power, depreciation of equipment and consumption of manufacturing utilities involved); and (ii) a profit rate of 10% determined with reference to Provisions on Certain Specific Issues of Value-added Tax (《增值税若干具體問題的規定》) issued by the State Administration of Taxation in December 1993 which suggested 10% as a presumed profit rate for goods that are sold at a significantly low price or with no definitive selling price.

In assessing the fairness and reasonableness of the pricing terms under the Entrusted Products Related Framework Agreement, we have attempted to obtain from the Management the historical information in relation to TAVR system manufactured by Lepu Medical to the Group. However, we were advised that there have been no historical transactions between the Lepu Medical as manufacturer/supplier of TAVR system and independent third parties, given that (i) as advised by the Management, the earliest time for commercialization of the TAVR system would only take place in or around December 2024; and (ii) pursuant to the entrusted arrangements as discussed in the paragraph headed "Business – Our Products – Heart Valve Product Candidates – Entrusted Products" of the Prospectus, Lepu Medical has irrevocably and exclusively authorized the Group to carry out commercialization and sales activities for TAVR systems, and the Group has the rights to determine and adjust the prices for TAVR systems, and thus Lepu Medical would not supply to or manufacture the TAVR system on behalf of other independent third parties.

We have further enquired with the Management in relation to the Group's pricing policies for the TAVR system, in particular, the actual costs and expenses to be incurred for manufacturing and the 10% profit rate to be charged. With respect to the actual costs and expenses to be incurred for manufacturing, the Group and Lepu Medical have formed a joint committee (the "**Entrusted Products Committee**") pursuant to the terms of the asset transfer agreement in January 2021, and primarily responsible for, among others, overseeing the implementation of the Relevant Activities, evaluation and confirmation of milestones achieved, formulating funding budgets, and approving costs incurred pertaining to the Entrusted Products. The Group has the final confirmatory and decisive power for matters handled by the Entrusted Products Committee according to the asset transfer agreement. As such, the costs relating to Relevant Activities incurred by Lepu Medical have been and will continue to be properly reviewed and approved by the Group and reflected in the Group's books of account. Other than that, we were advised that Lepu Medical irrevocably covenanted that it shall, among others, refrain from charging the Group any additional fees other than the actual costs incurred by it in carrying out the Relevant Activities.

As further advised by the Management, the Group has historically reimbursed Lepu Medical of its costs and fees actually incurred for the R&D and registration related activities associated with the entrusted products (including TAVR systems) under the Entrusted Products Related Framework Agreement and has adopted the following procedures to ensure the fairness and reasonableness of the pricing: its finance department (a) scrutinize the underlying supporting documents submitted by Lepu Medical as proof of payment, e.g., contracts and invoices; and (b) follow the Group's internal cost control measures which require, among others, every payment request from Lepu Medical being submitted to the finance department for verification and to Chen Juan (陳娟), the executive Director, chairman of the Board of Directors and general manager, for approval. In this regard, we have obtained three sample documents regarding the relevant procedures for the period from January 1, 2022 to September 30, 2024 (the "**Review Period**"), and were not aware of any irregularities from the sampled documents provided. Given that the auditor and the independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Existing Entrusted Products Related Framework Agreement for the two years ended December 31, 2023 for their annual review and there were a total of 11 historical procurement claims of the Entrusted Products during the Review Period, we have, on a sampling basis, randomly obtained one sample from each of the two years ended December 31, 2023 and the nine months ended September 30, 2024, and in aggregate, three sample documents during the Review Period (the "**Sample Transactions**"), in particular our Sample Transactions for the nine months ended September 30, 2024 represented over 50% of the total transaction amounts for the relevant period. In view of (1) the aforesaid review results by auditor and the independent non-executive Directors; and (2) our review results of the Sample Transactions, we consider the sample size to be appropriate.

As noted from the Sample Transactions and further understood from the finance department of the Company, we noted that the internal procedures are consistent in accordance with the aforesaid internal procedures, particularly, (i) the finance department has obtained further underlying documents from Lepu Medical for its reimbursed R&D expenses, including the contacts entered into Lepu Medical, detailed breakdowns of the reimbursed R&D expenses and the relevant invoices billed and was not aware of any abnormalities from the expense breakdowns provided, (ii) the relevant payment request has gone through finance department for verification and to Chen Juan (陳娟), the executive Director, chairman of the Board of Directors and general manager, for approval.

Having taken into account (i) the opinion from the Management in relation to the Group's proper implementation of the internal control measures; (ii) the annual review performed by the auditor and the independent non-executive Directors for the two years ended December 31, 2023; and (iii) our review of the Sample Transactions mentioned above, nothing has come to our attention that would reasonably cause us to cast doubt in any material respects that the internal procedures mentioned above has not been properly implemented. Accordingly, we concur with the Management that there are and will be proper internal control measures in place to monitor and enforce the pricing and terms of Non-exempt CCTs under the Entrusted Products Related Framework Agreement going forward.

In addition to the above, and taking into account the above, as well as (i) the paragraph headed "*2.1 Reasons for and benefits of entering into the Entrusted Products Related Framework Agreement*" above; and (ii) the paragraph headed "*3. Internal Control Measures*" below, we are of the view that the Entrusted Products Related Framework Agreement were entered into on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

2.3 Proposed annual caps for the Entrusted Products Related Framework Agreement

Set out below are (i) the existing annual caps for each of the three years ended December 31, 2022, 2023 and 2024; (ii) the historical transaction amount for each of the two years ended December 31, 2022 and 2023 and nine months ended September 30, 2024; and (iii) the proposed annual caps for each of the three years ending December 31, 2025, 2026, and 2027 for the Entrusted Products Related Framework Agreement as extracted from the Letter from the Board:

	For the year ended December 31,		**For the nine months ended September 30,**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Existing annual caps	28,000	18,000	11,000
Historical transaction amount	27,980	17,980	6,600
Utilization rate	99.93%	99.89%	60.00%

	For the year ending December 31,		
	2025	**2026**	**2027**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual caps	40,000	60,000	80,000

As set out in the Letter from the Board, the proposed annual caps under the Entrusted Products Related Framework Agreement are determined with the estimated purchase volume of TAVR system by the Group from Lepu Medical and the corresponding estimated costs, comprising those for labor, raw materials and payments made to third parties, to be incurred in manufacturing involved therein of the TAVR system by the Retained Lepu Medical Group plus the 10% profit rate to be charged by Lepu Medical associated with the TAVR system. The purchase volume of TAVR system is estimated based on the Group's estimated sales volume of TAVR systems on the market after the commercialization of TAVR systems in 2025, 2026 and 2027. As the Group expects that the commercialization of the TAVR systems may take place as early as December 2024, the estimated purchase volume is expected to increase in 2026 and 2027.

It is further noted that the historical transaction amounts under the Entrusted Products Related Framework Agreement was primarily due to the fees payable by the Group to Retained Lepu Medical Group for the costs, comprising raw material, labor and equipments consumption, and fees incurred during the R&D and registration process for TAVR systems and TMVCRS systems. As the Group anticipates no demands for clinical trials and manufacturing of the TMVCRS in the next three years, the Group has decided to only entrust the Retained Lepu Medical Group to manufacture the TAVR system upon its commercialization, which may take place as early as December 2024, in the Entrusted Products Related Framework

Agreement, thus we consider that the historical transaction amounts would not be directly comparable and serve as reference when determining the proposed annual caps under the Entrusted Products Related Framework Agreement which merely include transactions in relation to the manufacturing of the TAVR system by Lepu Medical.

To assess the fairness and reasonableness of the proposed annual caps under the Entrusted Products Related Framework Agreement, we have discussed with the Management regarding their basis and assumptions for determining the proposed annual caps and further obtained and reviewed the underlying computations of the proposed annual caps for the Entrusted Products Related Framework Agreement prepared by the Management, we noted that, the underlying computations contain (i) the estimated purchase volume of TAVR system; (ii) the estimated unit costs of the TAVR system plus the 10% profit rate to be charged by Lepu Medical associated with TAVR system. As noted from the underlying computations, we observed that the Group's estimated purchase volume of TAVR system from Lepu Medical is expected to increase annually, with a CAGR of approximately 41.4% from 2025 to 2027. In view of the above, we have conducted the following assessments:

(1) **regarding the estimated purchase volume of TAVR systems:** we have enquired with the Management regarding the estimated purchase volume, in particular for year 2025, and was given the understanding that such purchase volume is estimated with reference to (i) the number of TAVR operations to be undertaken in China annually. According to the industry figures estimated by Frost & Sullivan as disclosed in the Prospectus, the number of TAVR operations is expected to reach 43,000 in 2025, and (ii) the estimated market share of the Company upon launching of its TAVR systems. Upon further inquiry with the Management, the Management considered that they would be able to reach the estimated market share having considered that (i) the Group has been deeply involved in the field of structural heart disease for over 20 years and has established a certain market position. The Group's occluder products have achieved broad market recognition since the initial launch of the first-generation CHD occluder products in 2003; (ii) the Group believes that it can leverage its established sales network to market its product candidates, as it has established the reputation among cardiologists, distributors, and most importantly, patients over the years. The Group believes its industry-leading sales channels and growing penetration in hospitals serve to solidify its competitive edge in the market, which will allow to cross-sell existing products and rapidly ramp up the future sales of its product candidates. With these considerable early-mover advantages, the Group believes it's well positioned to capture the upside potentials when commercializing the TAVR system; (iii) the Group's TAVR system has unique technical advantages of retrievable and repositionable before decoupling from the delivery system, and such features to the best knowledge of the Management, are not presented in any commercialized TAVR systems in China, and (iv) the Group would consider offering competitive pricing for its TAVR systems as compared to other similar products currently available in the market.

(2) **regarding the growth rate and the industry outlook:** we have further inquired with the Management, we were informed that such growth rate is primarily driven by the market potentials of TAVR system, with reference to its forecasts of the positive market outlook of TAVR systems in China. With regards to the market outlook of TAVR system in China, we have conducted the following research and analysis, including but not limited to, (a) reviewing the market research published on by Qianzhan Industry Research Institute (前瞻產業研究院), a leading industry research and market consultancy institute in the PRC, and noted that, according to Frost & Sullivan as quoted by Qianzhan Industry Research Institute, the market size of TAVR system in China is estimated to reach RMB11.4 billion in 2030 from RMB1.61 billion in 2022, with a CAGR of 27.7%. Given that (i) the aforesaid reasons that Management considered that they would be able to reach the estimated market share; and (ii) the TAVR market in China is significantly under-penetrated as compared globally and that TAVR market is still at an emerging stage, and there were only limited major players in China's TAVR market with only thirteen commercialized TAVR systems which was concurred by the Management; and (iii) the prevalence of aortic valve disease increases with age considering that China's large population base and the number of high-risk aortic stenosis patients in China is enormous, and with the implementation of favorable and supportive government policies, including but not limited to, the 14th Five-Year Plan for the Development of the Pharmaceutical Industry ("十四五"醫藥工業發展規劃) issued by the State Council of the PRC in 2022 to promote the development of medical equipment and support the improvement of the industry-wide capacity of medical equipment and application, we consider that the Company's estimated CAGR of approximately 41.4% from 2025 to 2027 to be justifiable; and (b) reviewing the statistics published by the NMPA (https://www.nmpa.gov.cn/), which indicate that only thirteen TAVR systems have received approval for registration from the NMPA, and we concur with the Management that the limited market players in the PRC would leave rooms for the Group to explore and penetrate in.

(3) **regarding the cost estimates:** we understood that the Group's projections primarily consist of labor, raw materials and payments made to third parties, to be incurred in manufacturing involved therein of the TAVR system by the Lepu Medical plus a profit rate of 10% to be charged by Lepu Medical associated with the TAVR system. Upon further inquiry with the Management, we were advised that the profit rate to be charged by Lepu Medical associated with the TAVR system will be determined with reference to the Provisions on Certain Specific Issues of Value-added Tax (《增值税若干具體問題的規定》) issued by the State Administration of Taxation in December 1993 which suggested 10% as a presumed profit rate for goods that are sold at a significantly low price or with no definitive selling price. We have further cross checked the information published by The State Taxation Administration (國家税務總局) on its corporate website and noted that the source and the reference quoted from the Management is valid and in effect. We have also reviewed the market players of the TAVR systems as disclosed in the Prospectus and further enquired with the Management regarding the comparable medical devices and

companies listed on the Main Board of the Stock Exchange and the Management was of the view that there are three companies listed on the Main Board of the Stock Exchange (the "**Comparable Companies**"), namely Venus Medtech (Hangzhou) Inc. (02500.HK), MicroPort CardioFlow Medtech Corporation (02160.HK) and Peijia Medical Limited (09996.HK) that commercialized comparable TAVR systems as the Group. Upon our further review of the publicly available information published on the corporate websites of the Comparable Companies, including annual reports and roadshow materials, we noted the estimated unit cost of manufacturing the TAVR system to be incurred by Retained Lepu Medical Group is not higher than that of the Comparable Companies and thus we concur with the view of the Management that the pricing term of the relevant entrusted products will be fair and reasonable. As discussed in the paragraph headed "Our assessment of the terms of the Entrusted Products Related Framework Agreement" in relation to the Entrusted Products Committee and other internal control measures in place to monitor the fairness and reasonableness of the pricing, we concur with the view of the Management that the costs relating to Relevant Activities incurred by Lepu Medical have been and will continue to be properly reviewed and approved by the Group and reflected in the Group's books of account, and that the transactions contemplated under the Entrusted Products Related Framework Agreement will continue to be fair and reasonable.

Based on the above, we are of the view that the proposed annual caps pursuant to Entrusted Products Related Framework Agreement have been determined with due care, based on reasonable estimates. Considering that the proposed annual caps will provide the Group with flexibility in its relevant transactions with Lepu Medical, we are of the view that such proposed annual caps are fair and reasonable so far as the Independent Shareholders are concerned.

3. Internal Control Measures

The Company has established a comprehensive internal control system and adopted various internal control measures to ensure that the Non-exempt CCTs are conducted in accordance with their terms and conditions. Details of the internal control measures of the Group are set out in the paragraph headed "*2.3 Internal Controls for the Group's Continuing Connected Transactions*" in the Letter from the Board.

To assess whether the internal control procedures of the Group are in place, we have reviewed (i) the guidance on continuing connected transactions maintained by the Group; (ii) three sample documents regarding the relevant procedures for the period from January 1, 2022 to September 30, 2024 as detailed under the paragraph headed "*2.2 Principal terms of the Entrusted Products Related Framework Agreement*" of this letter; (iii) disclosures in relation to the review of continuing connected transactions by the independent non-executive Directors and auditors of the Company in the annual reports of the Company for the two years ended December 31, 2022 and 2023; and (iv) reports issued by the auditors of the Company regarding their review of the continuing connected transactions for the two years ended December 31,

2022 and 2023. Having performed the above reviews which indicate that the transactions contemplated under the Entrusted Products Related Framework Agreement have been conducted in a fair and reasonable way under independent supervision and monitoring, we consider that the internal control procedures of the Group are in place for the purpose of monitoring the transactions contemplated under the Entrusted Products Related Framework Agreement.

Having considered that (i) the Group has established an internal control procedure to ensure that the fairness and reasonableness of the pricing for the Entrusted Products Related Framework Agreement; and (ii) the Management will review the continuing connected transactions at a regular basis, we are of the view that appropriate measures will be in place to govern the conduct of the Entrusted Products Related Framework Agreement and assist in safeguarding the interest of the Company and Independent Shareholders as a whole.

OPINION AND RECOMMENDATIONS

Having taken into account the above principal factors and reasons, we consider that the entering into of the Entrusted Products Related Framework Agreement, including the proposed annual caps, are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions in relation to the Non-exempt CCTs and their respective annual caps to be proposed at the EGM.

Yours faithfully,
for and on behalf of
ORIENT CAPITAL (HONG KONG) LIMITED

Edmund WONG
Managing Director

Mr. Edmund Wong is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Orient Capital (Hong Kong) Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over 13 years of experience in the corporate finance industry.