

CONNECTED TRANSACTIONS

CONNECTED PERSONS

The following sets forth our connected persons that will conduct continuing connected transactions with us upon or after the [REDACTED] and the details of their relationship with our Group:

Connected Persons	Relationships with our Group
Shanghai CareCapital Dental Devices Co., Ltd. (上海松佰牙科器械有限公司) (“CC Dental”) and its subsidiaries and associates (the “CC Dental Group”)	a company that is wholly-controlled by CareCapital Group, our Controlling Shareholder, and principally engages in sales of dental devices, equipment and consumable

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth the continuing connected transactions with our Group following the [REDACTED]:

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2021	2022	2023
(in RMB’000)					
<i>Non-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)</i>					
1. Intraoral Scanner Purchase and Sales Framework Agreement	14A.35, 14A.53, 14A.76(2) and 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	13,200	13,200	19,800
<i>Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders’ approval requirements)</i>					
2. Clear Aligners Purchase and Sales Framework Agreement	14A.35, 14A.36, 14A.46, 14A.53, and 14A.105	Requirements as to announcement, circular and independent Shareholders’ approval under Chapter 14A of the Listing Rules	27,380	36,600	47,210

Non-fully exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)

We set out below a summary of the continuing connected transaction of our Group which are partially exempt from the circular and independent shareholders’ approval requirements under Rule 14A.76(2) in Chapter 14A of the Listing Rules.

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Intraoral Scanner Purchase and Sales Framework Agreement

Principal Terms

In [●], Wuxi EA and CC Dental entered into an intraoral scanner purchase and sales framework agreement (the “Intraoral Scanner Purchase and Sales Framework Agreement”), pursuant to which, CC Dental agrees to grant to us exclusive right to sell certain intraoral scanners manufactured by a subsidiary of CC Dental in China, and we agree to purchase from them and sell to third parties such intraoral scanners in China. The Intraoral Scanner Purchase and Sales Framework Agreement has a term of commencing from the date of signing to December 31, 2023.

Reason for the Transactions

Given the demands for intraoral scanners in clear aligner treatment process and our large customer base in clear aligner industry, we believe that we are well positioned to recommend and sell intraoral scanners to our customers to provide value-added services and enhance customer experience, and thus enabling us to maintain our competitiveness. As such, we intend to expand our business to cooperate with intraoral scanner manufacturers, including independent manufacturers, to sell such products to our customers since 2021.

Historical Amount

During the two years ended December 31, 2019 and the nine months ended September 30, 2020, we had not purchased any product from any member of CC Dental Group.

Annual Cap and Basis for Annual Cap

Our Directors estimate that the total fees to be paid by our Group to CC Dental Group for purchases of products will not exceed RMB13.2 million, RMB13.2 million and RMB19.8 million for the year ending December 31, 2021, 2022 and 2023, respectively.

In determining such annual caps, our Directors have considered (i) the prevailing market price for the type of intraoral scanner under the Intraoral Scanner Purchase and Sales Framework Agreement, as well as the potential fluctuations in the market price for such goods in the future; (ii) the purchase price we agreed and contracted to pay to the seller starting from 2021 and the estimated purchase price we may obtain from the seller in the future three years; (iii) the existing volume we agreed and contracted to purchase and estimated demand and sales volume in the future three years starting from 2021; and (iv) the possible future growth in the clear aligner industry in China as well as our customer base.

Pricing Policies

Fees charged for our purchase of intraoral scanners shall be primarily determined based on the general guide on the sales price of the goods as provided by the seller from time to time to the purchasers of such goods (including independent purchasers), with certain adjustment determined from time to time by the parties on an arm’s length basis with reference to the market prices of such goods. We generally order delivery of products after contracting with our customers and settle payment directly with CC Dental Group for the goods purchase price and pay each order by installments. The CC Dental Group agrees to provide product quality insurance in certain period after delivery of the products to us. Specific price, payment and insurance policy will be made according to the respective intraoral scanner purchase and sales contracts as further entered into between CC Dental Group and us pursuant to the Intraoral Scanner Purchase and Sales Framework Agreement.

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Listing Rule Implications

The Intraoral Scanner Purchase and Sales Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Our Directors (including our independent non-executive Directors) are of the view that the Intraoral Scanner Purchase and Sales Framework Agreement benefits our business operations, given the synergy between our principal business and the value-added services as well as the importance of stable supply of high-quality intraoral scanners to our customers. In addition, given the transactions under the Intraoral Scanner Purchase and Sales Framework Agreement will be carried out from time to time after the [REDACTED] and the related framework agreement is disclosed in this document, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Intraoral Scanner Purchase and Sales Framework Agreement. The waiver will expire on December 31, 2023. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this document, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Non-exempt continuing connected transactions (subject to reporting, annual review, announcement, circular and independent Shareholders’ approval requirements)

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Clear Aligners Purchase and Sales Framework Agreement

Principal Terms

In [●], Wuxi EA and CC Dental entered into a clear aligners purchase and sales framework agreement (the “Clear Aligners Purchase and Sales Framework Agreement,” together with the Intraoral Scanner Purchase and Sales Framework Agreement, the “Continuing Connected Transaction Framework Agreements”), pursuant to which, we agree to grant to CC Dental Group rights to sell our clear aligners and related services in certain regions in China, and CC Dental Group agrees to purchase from us and sell to third parties our clear aligners and related services accordingly. The Clear Aligners Purchase and Sales Framework Agreement has a term commencing from the date of signing to December 31, 2023.

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Reason for the Transactions

Given the large sales network of CC Dental Group in China, we benefit from the business cooperation between us and CC Dental Group in sales of our products and expansion and promotion of our products and brands among the hospitals and dental clinics in China, which enabling us to enhance our competitiveness.

Historical Amount

During the two years ended December 31, 2018, 2019 and the nine months ended September 30, 2020, the total revenues from CC Dental Group for purchases of our products and services was RMB7.9 million, RMB14.4 million and RMB14.7 million, respectively.

Annual Cap and Basis for Annual Cap

Our Directors estimate that the total revenues from CC Dental Group for purchases of our products and services will not exceed RMB27.4 million, RMB36.6 million and RMB47.2 million for the year ending December 31, 2021, 2022 and 2023, respectively.

In determining such annual caps, our Directors have considered (i) the historical and prevailing market price for our clear aligners and related services under the Clear Aligners Purchase and Sales Framework Agreement, prices offered to other distributors of our Company of comparable goods and services, as well as the potential fluctuations in the market price for such goods in the future; (ii) the estimated demands and growth of sales of our products in the future three years in the relevant authorized regions and areas under such agreements; and (iii) the possible future growth in the clear aligner industry and the dental industry in China.

Pricing Policies

Fees charged by us for purchases of our clear aligners and related services shall be primarily determined based on the general guide on sales price of such goods as provided by us from time to time to the distributors (including independent distributors), with certain adjustment determined from time to time by the parties on an arm’s length basis with reference to the sales volume and historical performance. We generally settle payment directly with CC Dental Group for the goods purchase price and CC Dental Group is generally pay us on a monthly basis. Specific price and payment will be made according to the respective clear aligner purchase and sales contracts as further entered into between CC Dental Group and us under the Clear Aligners Purchase and Sales Framework Agreement, which shall generally be in line with the term and conditions we provide to a similar independent distributor. See “Business — Sales and Distribution — Sales through Distributors” for more information.

Listing Rule Implications

The Clear Aligners Purchase and Sales Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 5%. Pursuant to Chapter 14A of the Listing Rules, the transactions will be subject to reporting, annual review, announcement, circular and the independent shareholders’ approval requirement.

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Waiver Application

Our Directors (including our independent non-executive Directors) are of the view that the Clear Aligners Purchase and Sales Framework Agreement benefits our business operations, given the importance of stable sales and expansion of our product sales coverage. In addition, given the transactions under the Clear Aligners Purchase and Sales Framework Agreement will be carried out from time to time after the [REDACTED] and the related framework agreement is disclosed in this document, our Directors consider that strict compliance with the announcement, circular and shareholders' approval requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules in respect of the Clear Aligners Purchase and Sales Framework Agreement. The waiver will expire on December 31, 2023. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this document, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that the non-exempt continuing connected transactions under the Continuing Connected Transaction Framework Agreements, including but not limited to terms and annual caps thereof, have been entered into and will be entered into, as applicable, (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

JOINT SPONSORS' VIEWS

The Joint Sponsors have (i) reviewed the relevant documents and historical figures prepared and provided by the Company in relation to the above Non-exempt Continuing Connected Transactions; and (ii) conducted due diligence by discussing with the Company with respect to the above Non-exempt Continuing Connected Transactions. Based on the above, the Joint Sponsors are of the view that the proposed annual caps of each of the Non-exempt Continuing Connected Transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole, and that such transactions have been and will be, as applicable, entered into in the ordinary and usual course of the Company's business, on normal commercial terms, are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;

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- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions, and comply with the conditions prescribed under the waiver submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.