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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Shandong Weigao Group Medical Polymer Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).

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**WEGO 威高**

**山東威高集團醫用高分子製品股份有限公司**

**Shandong Weigao Group Medical Polymer Company Limited \***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1066)**

**CONTINUING CONNECTED TRANSACTIONS**

- (1) RENEWAL OF PURCHASE FRAMEWORK AGREEMENT  
(2) ENTERING INTO THE LOGISTIC SUPPORT SERVICES  
FRAMEWORK AGREEMENT WITH LOGISTIC COMPANY  
AND  
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

**China Galaxy International Securities (Hong Kong) Co., Limited**



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Capitalised terms used in this cover will have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 46 of this circular.

A notice convening the EGM to be held at 2/F, 18 Xingshan Road, Weihai Torch Hi-Tech Science Park, Weihai, Shandong, PRC, at 9:00 a.m. on Thursday, 30 December 2021 is set out on pages 52 to 54 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's H Share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

8 December 2021

\* For identification purposes only

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following words and expressions shall have the following meanings:*

“Announcement”	the announcement of the Company dated 16 November 2021 in relation to, among others, the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement
“Board”	the board of Directors
“Business Day(s)”	a day other than a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remain hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m., on which licensed banks are open for general business in Hong Kong
“Company”	Shandong Weigao Group Medical Polymer Company Limited* (山東威高集團醫用高分子製品股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, among others, the Supplemental Purchase Framework Agreement, the Logistic Support Services Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Group”	the Company and its subsidiaries
“H Shares”	the shares of the Company, with a nominal value of RMB0.10 each, which are held and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors

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## DEFINITIONS

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“Independent Financial Adviser”	China Galaxy International Securities (Hong Kong) Co., Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities
“Independent Shareholders”	the Shareholders, other than Weigao Holding, Mr. Chen Lin, Mr. Long Jing and Mr. Cong Rinan and their respective associates (as defined in the Listing Rules)
“Latest Practicable Date”	2 December 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistic Company”	Shandong Weigao Medical Company Limited* (山東威高醫藥有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of Weigao Holding
“Logistic Company Group”	Logistic Company and its subsidiaries. They are subsidiaries of Weigao Holding
“Logistic Support Services Framework Agreement”	the agreement dated 16 November 2021 entered into between the Company and Logistic Company in relation to the provision of logistic support services by Logistic Company
“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“PRC Company Law”	the Company Law of the PRC
“Proposed Annual Caps”	the proposed annual caps for the financial years ending 31 December 2022 and 2023 for the transactions contemplated under the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement

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## DEFINITIONS

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“Purchase Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding (as amended by the supplemental agreements dated 27 September 2019, 18 December 2019, 26 August 2020 and 28 October 2020) in relation to the purchase of medical based products from Weigao Holding Group
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Share(s)”	ordinary share(s) of RMB0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Purchase Framework Agreement”	the agreement dated 16 November 2021 entered into between parties to the Purchase Framework Agreement to extend the duration of the Purchase Framework Agreement and propose annual caps for the years ending 31 December 2022 and 2023
“Weigao Holding”	Weigao Holding Company Limited* (威高集團有限公司), a company established under the laws of the PRC with limited liability and a controlling shareholder of the Company, holding approximately 45.94% of the issued share capital of the Company as at the Latest Practicable Date
“Weigao Holding Group”	Weigao Holding and its subsidiaries (other than the Company)
“%”	percentage or per centum

\* for identification purposes only.

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LETTER FROM THE BOARD

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**WEGO威高**

山東威高集團醫用高分子製品股份有限公司  
**Shandong Weigao Group Medical Polymer Company Limited \***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1066)**

*Executive Directors:*

Mr. Long Jing (*Chairman*)

Mr. Cong Rinan (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Tang Zhengpeng (*Vice Chairman*)

Mr. Chen Lin

Mr. Lian Xiaoming

*Independent non-executive Directors:*

Mr. Lo Wai Hung

Mrs. Fu Mingzhong

Mrs. Wang Jinxia

*Registered office and principal place  
of business in the PRC:*

18 Xingshan Road

Weihai Torch Hi-tech Science Park

Weihai

Shandong Province

the PRC

*Principal Place of Business*

*in Hong Kong:*

29/F, Two Chinachem Central

26 Des Voeux Road Central

Hong Kong

8 December 2021

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

**(1) RENEWAL OF PURCHASE FRAMEWORK AGREEMENT**

**(2) ENTERING INTO THE LOGISTIC SUPPORT SERVICES  
FRAMEWORK AGREEMENT WITH LOGISTIC COMPANY**

**AND**

**(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to, among others, the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement.

\* For identification purposes only

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## LETTER FROM THE BOARD

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The purpose of this circular is to give you further details of the transactions contemplated under the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement, the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, and notice of the EGM at which relevant ordinary resolutions will be proposed to consider and, if though fit, approve the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement.

### THE SUPPLEMENTAL PURCHASE FRAMEWORK AGREEMENT

On 16 November 2021, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to (i) extend the agreement term for two years to 31 December 2023; and (ii) propose new annual caps of RMB1,300 million and RMB1,500 million for the years ending 31 December 2022 and 2023, respectively.

Except for the extension of the duration of the agreement and the proposition of the new annual caps for the years ending 31 December 2022 and 2023, the principal terms of the Purchase Framework Agreement remain unchanged and are set out below:

- |                |   |   |
|----------------|---|---|
| Subject matter | : | Purchases of medical based products, including but not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical and medical devices (i.e. the Products) by the Group from the Weigao Holding Group.  |
| Pricing policy | : | Prices and terms of purchase with respect to the Products sold by the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms, negotiated on an arm's length basis and at prices and terms no less favorable to the Group than those available to independent third parties by the Weigao Holding Group. |

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## LETTER FROM THE BOARD

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The prices charged by the Weigao Holding Group shall be made with reference to the standard price list of the Weigao Holding Group, being the price at which the same type of products are sold by the Weigao Holding Group to independent third parties in its ordinary course of business, or on terms which are of no less favourable to the Group than terms available to other independent third parties. The Company compares the pricings and terms of the products to be purchased from the Weigao Holding Group to those charged or quoted by at least two independent suppliers for similar products before ordering and make sure that the pricings and terms of the products charged by the Weigao Holding Group are no less favourable than those offered by independent suppliers. In the event that the pricings and terms of the products provided by the Weigao Holding Group are found to be less favourable, the Company will timely negotiate with the Weigao Holding Group to adjust the terms.

### ***Actual transaction amounts and Proposed Annual Caps***

The table below sets out the actual transaction amounts for the purchases by the Group from the Weigao Holding Group for the two years ended 31 December 2020 and the nine months ended 30 September 2021.

	<b>For the year ended 31 December 2019 <i>RMB million</i></b>	<b>For the year ended 31 December 2020 <i>RMB million</i></b>	<b>For the nine months ended 30 September 2021 <i>RMB million</i></b>
Actual transaction amounts	402.7	1,041.4	733.3

The Proposed Annual Caps in respect of the transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) for the two years ending 31 December 2023 are set out below.

	<b>Year ending 31 December</b>		
	<b>2021 <i>RMB million</i></b>	<b>2022 <i>RMB million</i></b>	<b>2023 <i>RMB million</i></b>
Existing annual cap	1,400	–	–
Proposed Annual Caps	–	1,300	1,500



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## LETTER FROM THE BOARD

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As illustrated above, the value of Products procured by the Group from the Weigao Holding Group increased from approximately RMB402.7 million for the year ended 31 December 2019 to approximately RMB1,041.4 million for the year ended 31 December 2020. Clinical care products, which mainly consist of medical products for disease/virus prevention purpose such as masks, protective clothing, scrubs etc., accounted for a majority of Products procured from the Weigao Holding Group in 2020. Therefore, due to the outbreak of COVID-19, demand for Products surged significantly during the year ended 31 December 2020. Demand for Products kept its growing pace in 2021. The actual transaction amount for the nine months ended 30 September 2021 was approximately RMB733.3 million, representing a growth of approximately 19.1% from approximately RMB615.7 million for the nine months ended 30 September 2020.

The Proposed Annual Caps for the purchases of Products from the Weigao Holding Group are determined with reference to (i) the historical transaction amount of approximately RMB1,041.4 million and RMB733.3 million under the Purchase Framework Agreement for the year ended 31 December 2020 and the nine months ended 30 September 2021, respectively; and (ii) the anticipated demand for Products from the Weigao Holding Group for the years ending 31 December 2022 and 2023 after taking into account the nature of Products, which mainly consist of clinical care products such as masks, protective clothing, scrubs etc., the market development trend as well as the expected business growth of the Group.

### ***Reasons for entering into the Supplemental Purchase Framework Agreement***

The Company has been conducting business with Weigao Holding and its subsidiaries and associates since the listing of the Company on the Stock Exchange in 2004. Weigao Holding is a conglomerate corporate and a reliable supplier as a long term and reputable business associate with profound experiences in sectors, including but not limited to the production of medical equipment, sanitary products, medical packaging materials and pharmaceuticals, hotel business, construction, and provision of catering services and logistic services. Upon recent review of the Group's business development, it is anticipated that the Company will continue to purchase Products from the Weigao Holding Group in the near future. Given that the Purchase Framework Agreement will expire on 31 December 2021, the Directors proposed to renew the agreement by entering into the Supplemental Purchase Framework Agreement.

The transactions contemplated under the Supplemental Purchase Framework Agreement are expected to be of a recurrent nature and will occur on a regular and a continuing basis in the ordinary and usual course of business of the Group and Weigao Holding Group. The Products contemplated under the Supplemental Purchase Framework Agreement will be negotiated on arm's length basis and comparable with terms available from independent third parties.

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## LETTER FROM THE BOARD

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### THE LOGISTIC SUPPORT SERVICES FRAMEWORK AGREEMENT

On 16 November 2021, the Company entered into the Logistic Support Services Framework Agreement with Logistic Company for a term of two years from 1 January 2022 to 31 December 2023, pursuant to which the Company agrees to subscribe, or procure its subsidiaries to subscribe, and Logistic Company agrees to provide or procure its subsidiaries to provide integrated medical device supply chain logistic services.

The principal terms of the Logistic Support Services Framework Agreement are set out below:

Date	:	16 November 2021
Parties	:	(i) the Company; and (ii) Logistic Company
Duration	:	For a term of two years from 1 January 2022 to 31 December 2023
Nature of transaction	:	Provision of logistic support services by Logistic Company Group to the Group.

Logistic Company Group delivers the Group's products to its customers (such as hospitals), collects payment from the customers on behalf of the Group and settles the amount paid by the customers (net of the logistic service fees charged by Logistic Company Group) with the Group on a back-to-back basis.

Pricing policy	:	Logistic Company Group is entitled to 3% of the ultimate pricing paid by hospitals as logistic service fees. Logistic Company Group should settle the remaining 97% of the ultimate pricing paid by hospitals with the Group on a back-to-back basis.
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The pricing of the logistic service fee shall be fair and reasonable and shall not be higher than the pricing of similar logistic services provided by independent third parties to the Group prevailing at the time of entering into the Logistic Support Services Framework Agreement. The Group shall compare the rates and terms of the services offered by Logistic Company Group to market rates and terms from time to time to ensure the terms (including pricing and payment) contemplated under the Logistic Support Services Framework Agreement are on normal commercial terms.

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## LETTER FROM THE BOARD

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The Group negotiates and agrees the pricing of medical consumables and devices products directly with hospitals and nominate logistic operators (including the Weigao Holding Group) to deliver the products. Logistic operators collect the payment from the hospitals on behalf of the Group and the logistic operators settle the payment received from the hospitals with the Group on a back-to-back basis. The settlement amount between the logistic operators and the Group is the net amount after deducting the logistic services fees charged by the logistic operators from the gross amount paid by hospitals. Pursuant to the Logistic Support Services Framework Agreement, the logistic service fee charged by Logistic Company Group represents 3% of the total amount paid by hospitals. The logistic service fee of 3% is determined by the Company and Logistic Company after arm's length negotiations and with reference to the market fees charged by other independent logistic operators providing similar services as well as the fees charged by Logistic Company to its independent customers in its ordinary course of business. The Company compared the fees charged by Logistic Company with the fees of at least two independent suppliers at the time of entering into the Logistic Support Services Framework Agreement to make sure the terms offered by Logistic Company are no less favourable than market. The Company will also compare the market price to the pricing and terms of the logistic support services offered by Logistic Company Group on a half-yearly basis. In the event that the pricing and terms of the logistic support services offered by Logistic Company Group are found to be less favourable, the Company will timely negotiate with Logistic Company Group to adjust the terms.

### ***Actual transaction amounts and Proposed Annual Caps***

The table below sets out (i) the actual amounts settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group (i.e. the net amount after deducting 3% logistic service fee from the gross amount paid by hospitals); and (ii) the corresponding logistic service fee charged by Logistic Company Group for the two years ended 31 December 2020 and the nine months ended 30 September 2021.

	<b>For the year ended 31 December 2019 RMB million</b>	<b>For the year ended 31 December 2020 RMB million</b>	<b>For the nine months ended 30 September 2021 RMB million</b>
Actual amounts settled by Logistic Company Group for the Group's sales to hospitals through			
Logistic Company Group	430.3	1,128.2	1,396.8
Logistic service fee	13.3	34.9	43.2

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## LETTER FROM THE BOARD

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The Proposed Annual Caps in respect of the transactions contemplated under the Logistic Support Services Framework Agreement for the two years ending 31 December 2023 are set out below.

	Year ending 31 December	
	2022	2023
	RMB million	RMB million
Proposed Annual Caps		
<i>Total amounts settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group</i>		
<i>Logistic service fee</i>	5,000	6,000
	155	186

The Proposed Annual Caps in respect of the logistic service fees charged by Logistic Company are RMB155 million and RMB186 million for the year ending 31 December 2022 and 2023, representing approximately 1.4% and 1.6% of the total revenue of the Group for the year ended 31 December 2020, respectively.

The Proposed Annual Caps for the transactions contemplated under the Logistic Support Services Framework Agreement are determined based on the estimated sales to individual hospitals prepared by responsible sales representatives of the Group principally with reference to the historical sales of products through Logistic Company Group as well as the latest communication between the sales representatives and the hospitals in respect of the anticipated demand for the coming years principally after taking into account the purchasing plan of the customers (if any), historical transaction amount with the customers, expected demand for existing products, expected sales of new products of the Group and expected overall market growth. It is expected that the Proposed Annual Caps will represent a significant growth as compared with the actual amounts for the year ended 31 December 2020 and the nine months ended 30 September 2021 after taking into account the following:

- (i) *historical growth in the sales of products to hospitals using the logistic services provided by Logistic Company Group* - actual amounts settled by Logistic Company Group for the Group's sales to hospitals through the Logistic Company Group increased by approximately 162.2% from 2019 to 2020 and the settlement amount for the nine months ended 30 September 2021 had already been more than 1.2 times of the settlement amount for the entire year of 2020. It is expected that the growth trend will continue in the coming years;

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## LETTER FROM THE BOARD

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- (ii) *prospects and overview of the PRC medical device industry* - it is expected that the business of the Group will be benefited by the overall industry growth. According to the National Bureau of Statistics of China, the total expenditure on health of the PRC grew from approximately RMB4,058.8 billion in 2015 to approximately RMB7,230.6 billion in 2020, representing a compound annual growth rate of approximately 12.2% during the period. Besides, the recent introduction of centralized volume-based procurement measure by the PRC medical industry, details of which are discussed in the paragraph headed “Reasons for Entering into the Logistic Support Services Framework Agreement” below, is expected to increase the demand for logistics support services as medical device suppliers can only nominate a limited number of logistic operators to deliver the medical products to hospitals;
- (iii) *historical business and financial growth of the Group and the expected business expansion of the Group* – The Group has experienced continuous business and financial growth in recent years. Revenue of the Group increased from approximately RMB8,809 million for the year ended 31 December 2018 to approximately RMB11,345 million for the year ended 31 December 2020 while profit attributable to owners of the Company increased from approximately RMB1,473 million to approximately RMB2,030 million during the same period. As mentioned in the latest interim report of the Group, the Group has continued to invest in purchase of production facilities, plant construction and new production lines to meet the expected increasing sales demand for future market growth;
- (iv) *increasing customer coverage by Logistic Company Group* - The number of PRC customers which the Group has sold the products to using the logistic support services provided by Logistic Company Group has been increased by approximately 102.8% from 1,294 PRC customers as at 31 December 2020 to 2,624 PRC customers as at 30 September 2021, implying the continuous growth in the customers covered by Logistic Company Group. It is expected that this growing trend will continue in the coming years; and
- (v) *seasonality* - Sales of the medical device industry experience seasonality with higher transaction amount for the second half of the year in general.

After taking into account the above, the Company proposes the Proposed Annual Caps (in respect of both the total amounts settled by Logistic Company Group for the Group’s sales to hospitals through Logistic Company Group and logistic service fee) for the years ending 31 December 2022 and 2023 to be substantially higher than the actual amounts for the year ended 31 December 2020 and the nine months ended 30 September 2021.

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## LETTER FROM THE BOARD

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### *Reasons for Entering into the Logistic Support Services Framework Agreement*

In recent years, the PRC medical industry has introduced a number of changes, including but not limited to the centralized volume-based procurement measure (集中帶量採購). Before the implementation of the centralized volume-based procurement measure, hospitals need to invest significant amount of manpower and resources in dealing with different suppliers and managing inventory and warehousing in order to source all the different types of pharmaceutical and consumables/devices products required. Under the centralized volume-based procurement measure, suppliers which are selected for supplying the designated products can only nominate a limited numbers of logistic operators to deliver the medical products to the hospitals. Accordingly, hospitals are able to streamline the procurement by dealing and settling with limited number of logistic operators instead of numerous number of individual suppliers.

There is an increasing number of hospitals outsourcing their procurement, warehousing and logistics functions to third party Supply, Processing and Distribution (“SPD”) operators to improve management efficiency and reduce operating costs. Third party SPD operators using advanced information systems and bar code identification and other technologies have managed to improve the overall operational efficiency and inventory management of hospitals. The application of QR code technology plays an important role in the traceability of medical consumables as the medical consumables could be tracked throughout the process from purchase to consumption, which can help to improve clinical safety and reduce medical risks and disputes. By outsourcing the procurement and inventory management functions to SPD operators with warehousing facilities located throughout the PRC, advanced information technology and dedicated teams to provide timely delivery of medical products, hospitals can effectively reduce their working capital in respect of procurement and inventory management.

As it becomes more and more popular for hospitals to outsource their procurement and inventory management functions to logistic operators and independent SPD operators, it is important for medical consumables and devices suppliers to establish close relationship and alliance with the logistics and SPD operators to gain access in supplying products to hospitals after being admitted to the approved supplier list of the relevant hospitals.

There are key industry players in the market providing logistics and SPD services to hospitals. Some of these key players are also engaged in the production and/or distribution of pharmaceutical and medical devices. Their integrated services equipped them with competitive advantages in the bidding for the provision of SPD services to hospitals. The operation of logistics and SPD services requires significant amount of financial resources in building up the necessary hardware and software information system, nationwide warehousing facilities and dedicated team in providing quality services to the hospitals. Logistics and SPD operators need to be sizeable enough to maintain sufficient level of inventory to enable timely delivery of products to meet the stringent requirements of hospitals. Logistics and SPD operators are being evaluated on a number of criteria including the size of the warehouses, cold storage area, financial background and the number of past winning bids.

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## LETTER FROM THE BOARD

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The PRC medical consumables/devices are undergoing consolidation. It is expected that the industry will be dominated by a limited number of medical consumables and devices suppliers which can provide quality products at competitive prices with the support of logistics and SPD operators in the long run. The Logistic Company Group has begun to develop its logistics and SPD services since 2012. It now possesses the necessary information technologies in software and hardware, a nationwide network of warehousing facilities and a dedicated team to provide recognized and quality logistics and SPD services to hospitals.

Besides Logistic Company, the Group also engages other independent third party logistic operators. The logistic service fee charged by independent logistic operators is usually higher than 3% of the total amount paid by the hospitals pursuant to the Logistic Support Services Framework Agreement. Therefore, the logistic service fee charged by Logistic Company Group is in general lower than those charged by independent logistic operators.

Based on the above, the Directors proposed to enter into the Logistic Support Services Framework Agreement with Logistic Company so that the Group can enjoy logistic services at a competitive price and establish a long term business relationship with a recognized logistics and SPD operator to further secure a competitive market position in supplying medical consumables and devices to hospitals.

The transactions contemplated under the Logistic Support Services Framework Agreement are expected to be of a recurrent nature and will occur on a regular and a continuing basis in the ordinary and usual course of business of the Group and Weigao Holding Group. The services contemplated under the Logistic Support Services Framework Agreement will be negotiated on arm's length basis and comparable with terms available from independent third parties.

### **INTERNAL CONTROL MEASURES**

To safeguard the interests of the Company and the Shareholders as a whole, the Company has adopted internal monitoring procedures relating to the transactions under both the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement, which include the followings:

#### **The purchases**

- before ordering, a finance officer should compare the pricings and terms of the products to be purchased to those charged or quoted by at least two independent suppliers for similar products and make sure that the pricings and terms of the products charged by the Weigao Holding Group are no less favourable than those offered by independent suppliers. The comparison will be submitted to a finance manager of the Company for approval;

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## LETTER FROM THE BOARD

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- a finance officer is responsible for monitoring the transaction amount from time-to-time. In case the transaction amount is approaching the relevant annual cap of the year, a finance manager will issue reminder to all the relevant departments involved.

### **The logistic support services**

- prior to entering into any logistic support services agreements (including any renewal or supplemental agreements), the authorised department of the Company shall review and assess the logistic support services required after considering the delivery size, delivery location, timing required and any special requirements (for example, as to storage of special medical goods or equipment). Besides, a finance officer should compare the pricings and terms of the logistic support services provided by Logistic Company Group to those charged or quoted by at least two independent providers for similar services and make sure that the pricing and terms of the logistic support services offered by Logistic Company Group are no less favourable than those offered by independent logistic service providers. The comparison will be submitted to a finance manager of the Company for approval;
- on a half-yearly basis, a finance officer should consult the market price movement and review and compare the market price to the pricings and terms of the logistic support services offered by Logistic Company Group to make sure that the pricings and terms offered by Logistic Company Group are no less favourable than those offered by other independent logistic service providers;
- a finance officer is responsible for monitoring the transaction amount from time-to-time. In case the transaction amount is approaching the relevant annual cap of the year, a finance manager will issue reminder to all the relevant departments involved.

The independent non-executive Directors and auditors of the Company will conduct annual review of the transactions under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the agreements and the Group's pricing policy measures, and to confirm if the prices and terms offered are fair and reasonable and comparable to those offered by independent third parties.

Based on the above, the Directors consider the Company has adopted a set of effective control measures in supervising the transactions under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement to make sure that the transactions are conducted on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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### INFORMATION REGARDING THE GROUP AND WEIGAO HOLDING AND LOGISTIC COMPANY

#### **The Group**

The Group is principally engaged in the research and development, production and sale of single-use medical devices and operates finance lease and factoring business in the PRC. The Group has a wide range of products, which cover eight principle business lines of clinical care, wound management, blood management, pharma packaging, medical testing, anesthesia and surgery, orthopaedic products and interventional products. The Group's products are sold under its own brand names, including "Jierui", "Wego Ortho", "Yahua", "Bangde" and "Hai Xing". The products are sold throughout the PRC and exported to overseas.

#### **Weigao Holding**

Weigao Holding is a conglomerate corporate and is engaged in different business sectors, including production and sales of pharmaceutical and medical equipment, logistic services, property development, hotel business, and food and beverage services and logistic business in the PRC.

#### **Logistic Company**

Logistic Company is a company incorporated under the laws of the PRC with limited liability and is a subsidiary of Weigao Holding. Logistic Company is principally engaged in medical device logistic operation and distribution services in the PRC.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Weigao Holding is the controlling shareholder of the Company and holds approximately 45.94% of the issued share capital of the Company and Logistic Company is a subsidiary of Weigao Holding. Accordingly, Weigao Holding and Logistic Company are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement are over 5%, the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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Weigao Holding and its associates together holding 2,099,755,676 Shares (representing approximately 45.94% of the total issued share capital of the Company), Mr. Chen Lin and his associates together holding 196,000 Shares (representing approximately 0.004% of the total issued share capital of the Company), Mr. Long Jing and his associates together holding 6,960,000 Shares (representing approximately 0.15% of the total issued share capital of the Company), and Mr. Cong Rinan and his associates together holding 2,400,000 Shares (representing approximately 0.05% of the total issued share capital of the Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee has been formed to consider whether the terms of the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **GENERAL**

Mr. Long Jing, Mr. Cong Rinan, Mr. Tang Zhengpeng, Mr. Chen Lin and Mr. Lian Xiaoming who are also directors of Weigao Holding, have abstained from voting in the relevant resolution of the board meeting of the Company dated 16 November 2021 in respect of entering into the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement.

The independent non-executive Directors whose view has been given after taking the advice from the Independent Financial Adviser consider that the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement were entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms (including the Proposed Annual Caps), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the Latest Practicable Date, the Company has granted a total of 48,300,000 non-listed domestic shares under the share award scheme adopted on 17 November 2014 and the grantees will not exercise the voting rights attached to any incentive shares held by them.

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## LETTER FROM THE BOARD

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### EXTRAORDINARY GENERAL MEETING AND CLOSURES OF REGISTER OF MEMBERS OF THE COMPANY

It is proposed that the EGM to be convened and held at 2/F, 18 Xingshan Road, Weihai Torch Hi-Tech Science Park, Weihai, Shandong, PRC, at 9:00 a.m. on Thursday, 30 December 2021, for the purpose of considering, and if thought fit, approve the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement. A notice of the EGM is set out on pages 52 to 54 of this circular.

In order to determine the shareholders who are entitled to attend and vote at the EGM, the register of members of the Company for H Shares will be closed from Friday, 24 December 2021, to Thursday, 30 December 2021 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting in the EGM, Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates, are lodged with the Company's H Share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 December 2021.

In order to qualify for attending and voting in the EGM:-

Latest time to lodge in transfer instrument accompanied

by the share certificates for H Shares . . . . . 4:30 p.m., Thursday,  
23 December 2021

Closure of register of members of the Company for attending

and voting in the EGM . . . . . Friday, 24 December 2021 to  
Thursday, 30 December 2021  
(both days inclusive)

Date of the EGM . . . . . Thursday, 30 December 2021

Proxy form for use at the EGM is enclosed with this circular and are also published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.weigaogroup.com>). Whether or not you are able to attend the meeting in person, you are requested to complete and return the proxy form in accordance with the instructions printed thereon and return it to the Company's H Share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be).

Completion and delivery of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) if you so wish.

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## LETTER FROM THE BOARD

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### VOTING BY POLL

In accordance with Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, the resolutions set out in the notice convening the EGM, will be voted by poll.

### RECOMMENDATION

Taking into account the letter from the Independent Board Committee and all other factors stated above as a whole, the Directors (including the independent non-executive Directors) consider that the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement are entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms (including the Proposed Annual Caps), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the letter from the Independent Board Committee, the letter from the Independent Financial Adviser and the appendix to this circular.

By Order of the Board  
**Shandong Weigao Group Medical Polymer Company Limited**  
**Long Jing**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular.*

**WEGO 威高**

**山東威高集團醫用高分子製品股份有限公司**  
**Shandong Weigao Group Medical Polymer Company Limited \***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1066)**

8 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
RENEWAL OF PURCHASE FRAMEWORK AGREEMENT  
AND  
ENTERING INTO THE LOGISTIC SUPPORT SERVICES FRAMEWORK  
AGREEMENT WITH LOGISTIC COMPANY**

We refer to the circular of the Company to the Shareholders dated 8 December 2021 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed as the Independent Board Committee to consider whether the terms of the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM.

The Independent Financial Adviser has been appointed by the Company to advise us and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 21 to 46 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 18 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 21 to 46 of the Circular and to the appendix to the Circular.

\* *For identification purposes only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered, among other things, the principal factors and reasons underlying the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement as well as the advice of the Independent Financial Adviser as set out in the Circular, we consider the terms of the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement and the transactions contemplated thereunder, and the Proposed Annual Caps are on normal commercial terms, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions set out in the Notice of the EGM.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

**Shandong Weigao Group Medical Polymer Company Limited**

**Mr. Lo Wai Hung**

**Mrs. Fu Mingzhong**

**Mrs. Wang Jinxia**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from China Galaxy International Securities (Hong Kong) Co., Limited to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this Circular.*



8 December 2021

*To: The Independent Board Committee and the Independent Shareholders of  
Shandong Weigao Group Medical Polymer Company Limited*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS (1) RENEWAL OF PURCHASE FRAMEWORK AGREEMENT AND (2) ENTERING INTO THE LOGISTIC SUPPORT SERVICES FRAMEWORK AGREEMENT WITH LOGISTIC COMPANY**

#### **I. INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement and the corresponding Proposed Annual Caps. Details of the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 8 December 2021 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

Subsequent to the entering into of the Purchase Framework Agreement on 5 December 2018, the Company and Weigao Holding entered into four supplemental agreements. On 27 September 2019, the Company and Weigao Holding entered into the first supplemental agreement to revise the annual caps in respect of the purchases of the products under the Purchase Framework Agreement (the “**Products**”) by the Group from the Weigao Holding Group to RMB400 million and RMB500 million for the years ended 31 December 2019 and 2020, respectively. On 18 December 2019, the parties entered into the second supplemental agreement to further revise the then existing annual cap for the year ended 31 December 2019 to RMB440 million. On 26 August 2020, the parties entered into the third supplemental agreement to (i) further revise the then existing annual cap for the year ended 31 December 2020 to RMB800 million; (ii) extend the agreement term to 31 December 2021; and (iii) propose new annual cap of RMB950 million for the year ending 31 December 2021. On 28 October 2020, the parties entered into the fourth

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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supplemental agreement to further revise the then existing annual caps to RMB1,200 million for the year ended 31 December 2020 and RMB1,400 million for the year ending 31 December 2021. All other terms as stipulated in the Purchase Framework Agreement remained unchanged.

Upon recent review of the Group's business development, it is anticipated that the Company will continue to procure the Products from the Weigao Holding Group. Given that the Purchase Framework Agreement will expire on 31 December 2021, the Directors proposed to renew the agreement by entering into the Supplemental Purchase Framework Agreement on 16 November 2021 to (i) extend the agreement term to 31 December 2023; and (ii) propose new annual caps for the financial years ending 31 December 2022 and 2023. All other terms as stipulated in the Purchase Framework Agreement remained unchanged.

On 16 November 2021, the Company entered into the Logistic Support Services Framework Agreement with Logistic Company, pursuant to which the Company agreed to subscribe or procure its subsidiaries to subscribe, and Logistic Company agreed to provide or procure its subsidiaries to provide integrated medical device supply chain logistic services (the "**Logistic Services**") for a term of two years from 1 January 2022 to 31 December 2023.

As at the Latest Practicable Date, (i) Weigao Holding is interested in approximately 45.94% of the total issued share capital of the Company and is a controlling Shareholder within the meaning of the Listing Rules; and (ii) Logistic Company is a subsidiary of Weigao Holding. Accordingly, Weigao Holding and Logistic Company are connected persons of the Company and transactions under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of each of the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement exceeds 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under the Listing Rules and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and his/her/its associate(s) is (are) required to abstain from voting on the relevant resolution at the EGM. Accordingly, Weigao Holding and its associates together holding 2,099,755,676 Shares (representing approximately 45.94% of the total issued share capital of the Company), Mr. Chen Lin and his associates together holding 196,000 Shares (representing approximately 0.004% of the total issued share capital of the Company), Mr. Long Jing and his associates together holding 6,960,000 Shares (representing approximately 0.15% of the total issued share capital of the Company), and Mr. Cong Rinan and his associates together holding 2,400,000 Shares (representing approximately 0.05% of the total issued share capital of the



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company) as at the Latest Practicable Date, will all abstain from voting on the resolutions to be proposed at the EGM to approve the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Lo Wai Hung, Mrs. Fu Mingzhong and Mrs. Wang Jinxia, has been established to advise the Independent Shareholders as to whether the terms of the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement (including the Proposed Annual Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole and to advise the Independent Shareholders on how to vote in respect of the relevant resolutions to be proposed at the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company, its subsidiaries, Weigao Holding, Logistic Company or any of their respective core connected persons or close associates that could reasonably be regarded as relevant to our independence. Apart from normal professional fees paid or payable to us in connection with the current and previous appointments as the independent financial adviser, no arrangements exist whereby we had received any fees or benefits from the Company, its subsidiaries, Weigao Holding, Logistic Company or any of their respective core connected persons or close associates. Accordingly, we are independent from the Company pursuant to Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Continuing Connected Transactions.

## II. BASIS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the “**Management**”). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or provided to us were true, accurate and complete in all respects as at the date thereof and may be relied upon.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have also assumed that all views, opinions and statements of intention provided by the Directors and the Management have been arrived at after due and careful enquiry. The Directors have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position, plans, projections or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading. The Company will notify the Shareholders of any material changes as soon as possible subsequent to the Latest Practicable Date and up to the date of the EGM. If we shall become aware of any such material change, we will notify the Independent Shareholders of the potential impact, if any, on our opinion and/or recommendation set out in this letter as soon as possible.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions, and, except for its inclusion in the Circular, 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Purchase Framework Agreement and all supplemental agreements (including the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement, the annual reports of the Company for the year ended 31 December 2020 (“**2020 Annual Report**”) and the year ended 31 December 2019 (“**2019 Annual Report**”), the interim report of the Company for the six months ended 30 June 2021 (“**2021 Interim Report**”) and certain published information from the public domain. We have also discussed with the Directors and/or the Management with respect to the terms of and the reasons for the Continuing Connected Transactions (including the Proposed Annual Caps), and considered that we have reviewed sufficient information to reach an informed view and to justify reliance on the information provided and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and supplied to us by the Directors and/or the Management nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, internal control, profitability or prospects of the Group, Weigao Holding, Logistic Company and each of their respective associates, and the parties involved in the Continuing Connected Transactions.

### III. PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the terms of the Continuing Connected Transactions, we have considered the following principal factors and reasons:

#### 1. Information on the Group

The Group is principally engaged in the research and development, production and sale of single-use medical devices and operates finance lease and factoring business in the PRC. The Group has a wide range of products, which cover eight principal business lines of clinical care, wound management, blood management, pharma packaging, medical testing, anesthesia and surgery, orthopaedic products and interventional products. The Group’s products are sold under its own brand names, including “Jierui”, “Wego Ortho”, “Yahua”, “Bangde” and “Hai Xing”. The products are sold throughout the PRC and exported to overseas.

As at 27 August 2021, the Group had a PRC customer base of 7,396 customers in aggregate (including 2,908 hospitals, 414 blood stations, 1,002 other medical units and 3,072 distributors) and an overseas customer base of 6,711 customers in aggregate (including 3,478 hospitals, 1,584 other medical units and 1,649 distributors).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The key financial information of the Group for the three years ended 31 December 2020 and the six months ended 30 June 2020 and 2021 is summarized as below:

	For the year ended 31 December			For the six months ended 30 June	
	2020	2019	2018	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		(Restated)			(Restated)
Revenue	11,345,252	10,383,885	8,808,861	6,229,604	5,215,509
Gross profit	6,457,290	6,513,860	5,389,154	3,662,863	3,019,850
Profit for the year/period attributable to owners of the Company	2,030,137	1,849,936	1,472,935	1,209,394	995,841

  

	As at 31 December			As at 30 June	
	2020	2019	2018	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
		(Restated)			(Restated)
Total assets	27,344,669	26,352,871	23,986,873	29,911,893	26,193,726
Total liabilities	8,954,215	9,360,935	8,795,973	9,636,974	8,197,928
Equity attributable to owners of the Company	17,545,346	16,180,500	14,514,573	18,716,978	17,227,316

### ***Six months ended 30 June 2021 compared with six months ended 30 June 2020***

As illustrated in the table above, revenue from continuing operations of the Group amounted to approximately RMB6,229.6 million for the six months ended 30 June 2021, representing an increase of approximately 19.4% as compared to that of approximately RMB5,215.5 million for the last period. According to the 2021 Interim Report, such increase was mainly attributable to the revenue generated from (i) the clinical care business of approximately RMB2,104.6 million, representing an increase of approximately 13.1% over that of the last period as a result of the gradual resumption of hospital medical services which led to an increase in usage; (ii) the pharma packaging business of approximately RMB957.7 million, representing an increase of approximately 25.3% over that of the last period as a result of the strong demand of prefilled syringes; (iii) the orthopedic business of approximately RMB1,084.4 million, representing an increase of approximately 30.6% over that of the last period as a result of further consolidating market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform; and (iv) the interventional business of approximately RMB865.4 million, representing an increase of approximately 10.5% over that of the last period as a result of the recovery of clinical treatments in hospitals and as driven by the PRC market.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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During the six months ended 30 June 2021, the gross profit margin of the Group increased to approximately 58.8% from approximately 57.9% for that of the same period last year, mainly attributable to the change of product mix. Profit attributable to owners of the Company increased from approximately RMB995.8 million for the six months ended 30 June 2020 to approximately RMB1,209.4 million, representing an increase of approximately 21.4%, mainly as a result of the increase in revenue and gross profit margin as discussed above.

### ***Year ended 31 December 2020 compared with year ended 31 December 2019***

As illustrated in the table above, revenue of the Group amounted to approximately RMB11,345.3 million for the year ended 31 December 2020, representing an increase of approximately 9.3% as compared with that of approximately RMB10,383.9 million for the year ended 31 December 2019. According to the 2020 Annual Report, such increase was mainly attributable to (i) the increase in revenue generated from pharma packaging business from approximately RMB1,281.0 million for the year ended 31 December 2019 to approximately RMB1,693.8 million for the year ended 31 December 2020, representing an increase of approximately 32.2% as a result of the further expansion of the market influence of the Group's prefilled syringes in the segment of pre-pack bio-pharmaceuticals, fully guaranteed supply of the COVID-19 vaccine syringes and broadened customer base; (ii) the increase in revenue generated from the orthopaedic business from approximately RMB1,555.6 million for the year ended 31 December 2019 to approximately RMB1,747.8 million for the year ended 31 December 2020, representing an increase of approximately 12.4% as a result of further consolidation of the Group's market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform; and (iii) the increase in revenue generated from the clinical care business from approximately RMB4,255.7 million for the year ended 31 December 2019 to approximately RMB4,267.5 million for the year ended 31 December 2020, representing an increase of approximately 0.3% as a result of enhanced product mix.

For the year ended 31 December 2020, the gross profit of the Group slightly decreased to approximately RMB6,457.3 million from approximately RMB 6,513.9 million for the year ended 31 December 2019. The decrease was mainly attributable to the decrease in gross profit margin of the Group from approximately 62.7% for the year ended 31 December 2019 to approximately 56.9% for the year ended 31 December 2020, mainly as a result of the change of product structure. Despite the decrease in gross profit, profit attributable to owners of the Company increased from approximately RMB1,849.9 million for the year ended 31 December 2019 to approximately RMB2,030.1 million for the year ended 31 December 2020, representing an increase of approximately 9.7%, mainly as a result of the decrease in selling and distribution expenses as well as finance costs.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Year ended 31 December 2019 compared with year ended 31 December 2018*

For the year ended 31 December 2019, revenue of the Group amounted to approximately RMB 10,383.9 million, an increase of approximately 17.9% as compared with that of the previous financial year ended 31 December 2018. According to the 2019 Annual Report, such increase in revenue was mainly attributable to (i) the increase in revenue generated from clinical care business from approximately RMB 3,891.7 million for the year ended 31 December 2018 to approximately RMB 4,255.7 million for the year ended 31 December 2019, representing an increase of 9.4% as a result of enhanced product mix; (ii) the increase in revenue generated from pharma packaging business from approximately RMB 955.6 million for the year ended 31 December 2018 to approximately RMB 1,281.0 million for the year ended 31 December 2019, an increase of approximately 34.1% as a result of the expansion of market influence of the Group's prefilled syringes in the segment of pre-packed bio-pharmaceuticals; (iii) the increase in revenue generated from orthopedic products business from approximately RMB 1,180.6 million for the year ended 31 December 2018 to approximately RMB 1,555.6 million for the year ended 31 December 2019, representing an increase of approximately 31.8% as a result of further consolidation of the Group's market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of logistic platform; and (iv) the increase in revenue generated from interventional products business from approximately RMB 1,444.2 million for the year ended 31 December 2018 to approximately RMB 1,655.6 million for the year ended 31 December 2019, representing an increase of approximately 14.6% as a result of increased Argon products sales.

Gross profit of the Group increased to approximately RMB 6,513.9 million for the year ended 31 December 2019 from approximately RMB 5,389.2 million for the year ended 31 December 2018, which was mainly attributable to (i) the increase in revenue as discussed above; and (ii) improvement in gross profit margin to approximately 62.7% for the year ended 31 December 2019 from approximately 61.2% for the year ended 31 December 2018 mainly as a result of change of product structure. Profit attributable to owners of the Company increased to approximately RMB 1,849.9 million for the year ended 31 December 2019 from approximately RMB 1,472.9 million for the year ended 31 December 2018, representing an increase of approximately 25.6%, mainly as a result of the increase in gross profit as discussed above.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **2. Information on Weigao Holding and Logistic Company**

Weigao Holding was established under the laws of the PRC with limited liability in August 1998 with registered capital of RMB1.2 billion. Weigao Holding Group is a conglomerate group, which is engaged in different business sectors, including production and sales of pharmaceutical and medical equipment, property development, hotel business, food and beverage services and logistic business in the PRC.

Logistic Company is a company incorporated under the laws of the PRC with limited liability in May 2006 with registered capital of RMB99.0 million and is a subsidiary of Weigao Holding. Logistic Company is principally engaged in medical device logistic operation and distribution services in the PRC. According to the management accounts of Logistic Company and its subsidiaries (“**Logistic Company Group**”) for the year ended 31 December 2020 and the six months ended 30 June 2021, the revenue of Logistic Company Group amounted to approximately RMB4.7 billion for the year ended 31 December 2020 and approximately RMB 2.8 billion for the six months ended 30 June 2021.

As Weigao Holding is the controlling Shareholder which holds 45.94% of the total issued share capital of the Company as at the Latest Practicable Date, Weigao Holding and Logistic Company are connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

### **3. Reasons for and benefit of entering into the Supplemental Purchase Framework Agreement**

The Company has been conducting business with Weigao Holding and its subsidiaries and associates since the listing of the Company on the Stock Exchange in 2004. Weigao Holding is a conglomerate corporate and a reliable supplier as a long term and reputable business associate with profound experiences in sectors, including but not limited to the production of medical equipment, sanitary products, medical packaging materials and pharmaceuticals, hotel business, construction, and provision of catering services and logistic services. Upon recent review of the Group’s business development, it is anticipated that the Company will continue to procure the Products from the Weigao Holding Group. Given that the Purchase Framework Agreement will expire on 31 December 2021, the Directors proposed to renew the agreement by entering into the Supplemental Purchase Framework Agreement to (i) extend the agreement term for two years to 31 December 2023; and (ii) propose new annual caps for the financial years ending 31 December 2022 and 2023.

**4. Reasons for and benefit of entering into the Logistic Support Services Framework Agreement**

In recent years, the PRC medical industry has introduced a number of changes, including but not limited to the centralized volume-based procurement measure (集中帶量採購). Before the implementation of the centralized volume-based procurement measure, hospitals need to invest significant amount of manpower and resources in dealing with different suppliers and managing inventory and warehousing in order to source different types of pharmaceutical and consumables/devices products required. Under the centralized volume-based procurement measure, suppliers which are selected for supplying the designated products can only nominate a limited number of logistics operators to deliver the medical products to the hospitals. Accordingly, hospitals are able to streamline the procurement by dealing and settling with limited number of logistics operators instead of numerous number of individual suppliers.

Besides, there is an increasing number of hospitals outsourcing their procurement, warehousing and logistics functions to third party Supply, Processing and Distribution (“SPD”) operators to improve management efficiency and reduce operating costs. Third party SPD operators using advanced information systems and bar code identification and other technologies have managed to improve the overall operational efficiency and inventory management of hospitals. The application of QR code technology plays an important role in the traceability of medical consumables as the medical consumables could be tracked throughout the process from purchase to consumption, which can help to improve clinical safety and reduce medical risks and disputes. By outsourcing the procurement and inventory management functions to SPD operators with warehousing facilities located throughout the PRC, advanced information technology and dedicated teams to provide timely delivery of medical products, hospitals have effectively reduced their working capital in respect of procurement and inventory management.

As it becomes more and more popular for hospitals to outsource their procurement and inventory management functions to logistics operators and independent SPD operators, it is important for medical consumables and devices suppliers to establish close relationship and alliance with the logistics and SPD operators to gain access in supplying products to hospitals after being admitted to the approved supplier list of the relevant hospitals.



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There are key industry players in the market providing logistics and SPD services to hospitals. Some of these key players are also engaged in the production and/or distribution of pharmaceutical and medical devices. Their integrated services equipped them with competitive advantages in the bidding for the provision of SPD services to hospitals. The operation of logistics and SPD services requires significant amount of financial resources in building up the necessary hardware and software information system, nationwide warehousing facilities and dedicated team in providing quality services to the hospitals. Logistics and SPD operators need to be sizeable enough to maintain sufficient level of inventory to enable timely delivery of products to meet the stringent requirements of hospitals. Logistics and SPD operators are being evaluated on a number of criteria including size of the warehouses, cold storage area, financial background and the number of past winning bids.

The PRC medical consumables/devices industry is undergoing consolidation. It is expected that the industry will be dominated by a limited number of medical consumables and devices suppliers which can provide quality products at competitive prices with the support of logistics and SPD operators in the long run. The Logistic Company Group has begun to develop its logistics and SPD services since 2012. It now possesses the necessary information technologies in software and hardware, a nationwide network of warehousing facilities and a dedicated team to provide recognized and quality logistics and SPD services to hospitals.

Besides Logistic Company, the Group also engages other independent third party logistics operators. The logistic service fee charged by independent logistics operators is usually higher than 3% of the total amount paid by hospitals pursuant to the Logistic Support Services Framework Agreement. Therefore, the logistic service fee charged by Logistic Company Group is in general lower than those charged by independent logistic operators.

Based on the above, the Directors proposed to enter into the Logistic Support Services Framework Agreement with Logistic Company so that the Group can enjoy the logistic services at a competitive price and establish a long term business relationship with a recognized logistics and SPD operator to further secure a competitive market position in supplying medical consumables and devices to hospitals.

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### 5. Principal terms of Continuing Connected Transactions under the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement

In assessing whether the terms of the Continuing Connected Transactions under the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement are fair and reasonable, we have reviewed the principal terms of the respective agreements as discussed below.

*Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement)*

Date of agreement:	5 December 2018 (as supplemented by supplemental agreements dated 27 September 2019, 18 December 2019, 26 August 2020, 28 October 2020 and 16 November 2021)
Parties:	(1) the Company; and  (2) Weigao Holding
Terms:	Initially from 1 January 2019 to 31 December 2021, and is further extended to 31 December 2023 according to the Supplemental Purchase Framework Agreement
Subject matter:	Purchases of medical based products, including and not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical and medical devices (i.e. the Products) by the Group from the Weigao Holding Group.
Pricing policy:	Prices and terms of purchases with respect to the Products sold by the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms; negotiated on an arm's length basis and at prices and terms no less favourable to the Group than those available to independent third parties by the Weigao Holding Group.

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The prices charged by the Weigao Holding Group shall be made with reference to the standard price list of the Weigao Holding Group, being the price at which the same type of products is sold by the Weigao Holding Group to independent third parties in its ordinary course of business, or on terms which are of no less favourable to the Group than terms available to other independent third parties. The Company compares the pricings and terms of the Products to be purchased from the Weigao Holding Group to those charged or quoted by at least two independent suppliers for similar products before ordering and makes sure that the pricing and terms of the Products charged by the Weigao Holding Group are no less favourable than those offered by independent suppliers. In the event that the pricing and terms of the Products provided by the Weigao Holding Group are found to be less favourable, the Company will timely negotiate with the Weigao Holding Group to adjust the terms.

In order to assess the fairness and reasonableness of the terms of the purchases of Products by the Group from the Weigao Holding Group, we have obtained and reviewed the purchase breakdown by product categories during the period from 1 January 2021 to 30 September 2021 (the “**Review Period**”) provided by the Group and identified the top three categories of Products by purchase amount (“**Top Three Product Categories**”), namely clinical care, hemodialysis and medical laboratory. We have obtained and reviewed the transaction documents of three randomly selected purchase transactions during the Review Period for each of the Top Three Product Categories. We have compared the sample invoices issued by the Weigao Holding Group to the Group for each selected purchase transaction against two sets of invoices of similar transactions between the Weigao Holding Group and its independent customers. Based on our review of the said documents, we noted that the prices and terms offered by the Weigao Holding Group to the Group in the samples obtained (i) were comparable and no less favourable than those offered by the Weigao Holding Group to its independent customers; and (ii) were generally in line with the pricing policy as stated in the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement). Besides, we obtained and reviewed two sets of quotations from independent suppliers obtained by the Group for each of the six randomly selected purchase transactions during the Review Period and noted that the prices and terms offered by the Weigao Holding Group were no less favourable than those offered by independent suppliers.

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### *Logistic Support Services Framework Agreement*

Date of agreement: 16 November 2021

Parties: (1) the Company; and  
(2) Logistic Company

Duration: For a term of two years from 1 January 2022 to 31 December 2023

Nature of transaction: Provision of logistic support services by Logistic Company Group to the Group.

Logistic Company Group delivers the Group's products to its customers (such as hospitals), collects payment from the customers on behalf of the Group and settles the amount paid by the customers (net of the logistic service fees charged by Logistic Company Group) with the Group on a back-to-back basis.

Pricing policy: Logistic Company Group is entitled to 3% of the ultimate pricing paid by hospitals as logistic service fees. Logistic Company Group should settle the remaining 97% of the ultimate pricing paid by hospitals with the Group on a back-to-back basis.

The pricing of the logistic service fee shall be fair and reasonable and shall not be higher than the pricing of similar logistic services provided by independent third parties to the Group prevailing at the time of entering into the Logistic Support Services Framework Agreement. The Group shall compare the rates and terms of the services offered by Logistic Company Group to market rates and terms from time to time to ensure the terms (including pricing and payment) contemplated under the Logistic Support Services Framework Agreement are on normal commercial terms.

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The Group negotiates and agrees the pricing of medical consumables and devices products directly with hospitals and nominate logistic operators (including the Weigao Holding Group) to deliver the products. Logistic operators collect the payment from the hospitals on behalf of the Group and the logistic operators settle the payment received from the hospitals with the Group on a back-to-back basis. The settlement amount between the logistic operators and the Group is the net amount after deducting the logistic services fees charged by the logistic operators from the gross amount paid by hospitals. Pursuant to the Logistic Support Services Framework Agreement, the logistic service fee charged by Logistic Company Group represents 3% of the total amount paid by hospitals. The logistic service fee of 3% is determined by the Company and Logistic Company after arm's length negotiations and with reference to the market fees charged by other independent logistic operators providing similar services as well as the fees charged by Logistic Company to its independent customers in its ordinary course of business. The Company compared the fees charged by Logistic Company with the fees of at least two independent suppliers at the time of entering into the Logistic Support Services Framework Agreement to make sure the terms offered by Logistic Company is no less favourable than market. The Company will also compare the market prices to the pricings and terms of the logistic support services offered by Logistic Company Group on a half-yearly basis. In the event that the pricings and terms of the logistic support services offered by Logistic Company Group are found to be less favourable, the Company will timely negotiate with Logistic Company Group to adjust the terms.

In order to assess the fairness and reasonableness of the terms of the Logistic Services, we have obtained and reviewed the comparison prepared by the Company in respect of the logistic service fees quoted by two independent suppliers and the Logistic Company before entering into the Logistic Support Services Framework Agreement. We noted that the logistic services fee quoted by the Logistic Company is no less favourable than the fees quoted by the independent suppliers. Besides, we have obtained the PRC customer list that the Group has sold the products to using the Logistic Services procured from Logistic Company Group. We have randomly selected four customers from the list and reviewed one set of sample contracts and invoices for each selected customer for Logistic Services procured by the Group from Logistic Company Group during the 12-month period immediately before the date of this letter. We have compared the contract terms provided by Logistic Company Group against relevant sample contracts of similar services procured by the Group from other independent logistic service providers during the same period. We have also randomly compared the pricing of Logistic Services charged by Logistic Company Group against the pricing of similar services procured by the Group from other independent logistic service providers during the same period. Based on our review of the abovementioned contracts and invoices, we noted that the prices and terms offered by Logistic Company Group to the Group in the samples obtained were comparable and no less favourable than those offered by independent logistic service providers and were generally in line with the pricing policy as stated in the Logistic Support Services Framework Agreement.

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### 6. The Proposed Annual Caps

In assessing whether the Proposed Annual Caps are fair and reasonable, we have considered the following factors:

#### 6.1 Proposed Annual Caps under the Supplemental Purchase Framework Agreement

##### (a) Historical transaction amounts in respect of the purchases of Products

The following table sets out (i) the historical or existing annual caps for each of the three years ending 31 December 2021; (ii) the historical transaction amounts for the two years ended 31 December 2020 and the nine months ended 30 September 2021; (iii) the utilisation rates of the historical or existing annual caps; and (iv) the Proposed Annual Caps in respect of the purchases of Products (“**Proposed Purchase Caps**”) by the Group from the Weigao Holding Group for the two years ending 31 December 2023:

	For the year ended/ending 31 December				
	2019	2020	2021	2022	2023
	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>
Historical/Existing annual caps	440.0	1,200.0	1,400.0	-	-
Historical transaction amounts	402.7	1,041.4	733.3 (Up to 30 September 2021)	-	-
Utilisation rate for the year	91.5%	86.8%	52.4% (up to 30 September 2021)	-	-
Proposed Purchase Caps	-	-	-	1,300.0	1,500.0

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As illustrated above, the value of Products procured by the Group from the Weigao Holding Group increased from approximately RMB402.7 million for the year ended 31 December 2019 to approximately RMB1,041.4 million for the year ended 31 December 2020. As advised by the Management, clinical care products, which mainly consist of medical products for disease/virus prevention purpose such as masks, protective clothing, scrubs etc., accounted for a majority of Products procured from the Weigao Holding Group in 2020. Therefore, due to the outbreak of COVID-19, demand for Products surged significantly during the year ended 31 December 2020. Demand for Products kept its growing pace in 2021. The actual transaction amount for the nine months ended 30 September 2021 was approximately RMB733.3 million, representing a growth of approximately 19.1% from approximately RMB615.7 million for the nine months ended 30 September 2020.

As advised by the Management, they foresee that the Company will continue to procure Products from the Weigao Holding Group. Therefore, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to extend the agreement term and propose new annual caps for the two years ending 31 December 2023 for the transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement).

After considering the historical value of Products procured from the Weigao Holding Group and the expected demand for Products as advised by the Management, we concur with the Directors that it is in the interests of the Company and the Shareholders as a whole to extend the agreement term and propose new annual caps for the two years ending 31 December 2023 for the transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement).

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(b) *Market outlook of the PRC medical device industry and business development of the Group*

Market outlook of the PRC medical device industry

According to the National Bureau of Statistics of China, the total expenditure on health of the PRC grew from approximately RMB4,058.8 billion in 2015 to approximately RMB7,230.6 billion in 2020, representing a compound annual growth rate of approximately 12.2% during the period. In terms of nominal gross domestic product (“GDP”), the total expenditure on health of the PRC grew from 6.0% of nominal GDP in 2015 to approximately 7.1% in 2020. Despite the growth in total expenditure on health of the PRC in absolute amount and as percentage of GDP, it is still low as compared to other nations. According to “Global Spending on Health: Weathering the Storm”, a report published by the World Health Organization in December 2020, the world spent approximately US\$8.3 trillion on health in 2018, representing about 10% of global GDP, indicating that the PRC still has room for further increment in health related expenditure.

Demand for medical device products is also affected by population. According to the Seventh National Population Census of the PRC, the population of the PRC increased from approximately 1.3 billion in 2010 to approximately 1.4 billion in 2020. The PRC has also introduced the three-child policy in May 2021. Under the new policy, every couple is allowed to have three children. With more new babies born in the coming years, the ascending trend of PRC’s population is expected to continue.

Based on the above, it is expected that the healthcare expenditure in the PRC will continue to grow and hence the demand for medical device products will also increase.

Business development of the Group

As discussed in the paragraph headed “1. Information on the Group” in this section above, revenue of the Group increased by approximately 9.3% for the year ended 31 December 2020 to reach approximately RMB11,345.3 million. For the six months ended 30 June 2021, the revenue of the Group further increased by approximately 19.4% to RMB6,229.6 million, as compared to the six months ended 30 June 2020. The Group continued to expand its customer base and the Group had a PRC customer base of 7,396 in aggregate (including 2,908 hospitals, 414 blood stations,



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1,002 other medical units and 3,072 distributors) and an overseas customer base of 6,711 customers in aggregate (including 3,478 hospitals, 1,584 other medical units and 1,649 distributors) as at 27 August 2021.

According to the Management, the Group has continued to invest in purchase of production facilities, plant construction and new production lines to meet the increasing sales demand for future market growth. As stated in the 2021 Interim Report, the Group has invested approximately RMB592.1 million in purchase of production facilities and plant construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables. The Group also planned to invest (i) approximately RMB400 million in the new production lines, construction of which are already underway and are expected to be successively put in operation by the end of 2023; and (ii) approximately RMB600 million in the new production lines, which are expected to be successively put in operation by the end of 2024. Furthermore, construction is underway for the planned investment of approximately RMB150 million for upgrading and reconfiguration of the single-use consumables production equipment to further enhance the level of production automation.

Taking into account (i) the expected growing market demand for medical device products; (ii) historical business and financial growth of the Group; (iii) the continuous expansion of the Group's PRC customer base; and (iv) the continuous capital investment in business expansion of the Group as discussed above, it is expected that the business of the Group will continue to grow.

(c) *Basis of determination of the Proposed Purchase Caps*

The Proposed Purchase Caps for the two years ending 31 December 2022 and 2023 is RMB1,300 million and RMB1,500 million, respectively. The Proposed Purchase Caps are determined with reference to (i) the historical transaction amount of approximately RMB1,041.4 million and RMB733.3 million under the Purchase Framework Agreement for the year ended 31 December 2020 and the nine months ended 30 September 2021, respectively; and (ii) the anticipated demand for Products provided by the Weigao Holding Group for the years ending 31 December 2022 and 2023.

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We have obtained and reviewed the Proposed Purchase Caps estimation schedule prepared by the Company and noted that the Proposed Purchase Cap for the year ending 31 December 2022 is estimated with reference to the sum of the estimated transaction amounts of each major category of Products procured by the Group from the Weigao Holding Group for the year ending 31 December 2022. We have discussed with the Management and noted that the estimated transaction amounts for each major category of Products are estimated by the responsible business representative of the Group with reference to the actual transaction amount for the nine months ended 30 September 2021 and the anticipated demand for the relevant Products for the year ending 31 December 2022 principally after taking into account the nature of Products, the market development trend as well as the expected business growth of the Group. The Management estimates the Proposed Purchase Cap for the year ending 31 December 2023 by applying an annual growth rate of approximately 15% to the Proposed Purchase Cap for the year ending 31 December 2022.

We have reviewed the estimated purchase breakdown by major categories of Products for the year ending 31 December 2022 and randomly interviewed with two responsible business representatives of the Group who prepared for the estimated purchase amounts. We noted that their basis of estimating the transaction amounts is generally in line with the factors mentioned by the Management.

*(d) Our view*

The actual transaction amount for the nine months ended 30 September 2020 was approximately RMB615.7 million, representing approximately 59.1% (“**Purchase Estimation Ratio**”) of the actual transaction amount for the year ended 31 December 2020. By applying the Purchase Estimation Ratio to the actual transaction amount for the nine months ended 30 September 2021, the estimated annual transaction amount for the year ending 31 December 2021 would be approximately RMB1,240.8 million (“**2021 Estimated Annual Purchase Amount**”), which is close to the Proposed Purchase Cap for the year ending 31 December 2022. We further made reference to (i) the growth rate of approximately 19.1% between the total amount of purchases for the nine months ended 30 September 2020 and 2021 (“**2020 & 2021 Nine Months Purchase Growth Rate**”); and (ii) the growth rate of approximately 158.6% between the total amount of purchases for the years ended 31 December 2019 and 2020 (“**2019 & 2020 Annual Purchase Growth Rate**”) and noted that the abovementioned growth rates are higher than the approximately 15% annual growth rate between the Proposed Purchase Caps for the years ending 31 December 2022 and 2023.

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Taking into account (i) the historical actual transaction amount for the year ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the expected market growth and business growth of the Group; (iii) the basis of determination of the Proposed Purchase Caps as advised by the Management; (iv) the Proposed Purchase Cap for the year ending 31 December 2022 is close to the 2021 Estimated Annual Purchase Amount; and (v) the estimated annual growth rate for the Proposed Purchase Cap for the year ending 31 December 2023 is lower than the 2020 & 2021 Nine Months Purchase Growth Rate and the 2019 & 2020 Annual Purchase Growth Rate, we are of the view that the Proposed Purchase Caps are fair and reasonable.

### 6.2 *Proposed Annual Caps under the Logistic Support Services Framework Agreement*

#### (a) *Historical transaction amounts in respect of the Logistic Services*

The following table sets out (i) the actual amounts settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group (i.e. the net amount after deducting 3% logistic service fee from the gross amount paid by hospitals); and (ii) the corresponding logistic service fee charged by Logistic Company Group for the two years ended 31 December 2020 and the nine months ended 30 September 2021; and (iii) the Proposed Annual Caps in respect of the provision of the Logistic Services by Logistic Company Group to the Group ("**Proposed Logistic Caps**") for the two years ending 31 December 2023:

	For the year ended/ending 31 December				
	2019	2020	2021	2022	2023
	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>	<i>Approximately</i> <i>RMB million</i>
Actual amount settled by Logistic Company Group for sales to hospitals through Logistic Company Group	430.3	1,128.2	1,396.8 (Up to 30 September 2021)	-	-
Logistic service fee	13.3	34.9	43.2	-	-
Proposed Logistic Caps					
Total amount settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group (" <b>Proposed Settlement Caps</b> ")	-	-	-	5,000.0	6,000.0
Logistic service fee (" <b>Proposed Logistic Service Fee Caps</b> ")	-	-	-	155.0	186.0

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As illustrated above, the total amount settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group for the year ended 31 December 2020 was approximately 2.6 times of the amount for the year ended 31 December 2019 and the amount for the nine months ended 30 September 2021 has already been more than 1.2 times of the amount for the entire year of 2020. This demonstrated the significant growth in the amount of products sold to hospitals using the Logistic Services provided by Logistic Company Group as a result of the continuous business growth of the Group as well as the increasing customer coverage by Logistic Company Group.

As advised by the Management, taking into account the growth in demand for the Logistic Services provided by Logistic Company Group, the Directors are of the view that it is in the interests of the Company and the Shareholders as a whole to enter into the Logistic Support Services Framework Agreement with Logistic Company.

After considering the scale of products sold to customers using the Logistic Services provided by Logistic Company Group and the expected demand for the Logistic Services as advised by the Management, we concur with the Directors that it is in the interests of the Company and the Shareholders as a whole to enter into the Logistic Support Services Framework Agreement with Logistic Company.

*(b) Market outlook of the PRC medical device industry and business development of the Group*

Details of which have been discussed in the sub-paragraph headed "6.1 Proposed Annual Caps under the Supplemental Purchase Framework Agreement – (b) Market outlook of the PRC medical device industry and business development of the Group" above.

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*(c) Impact of the introduction of centralized volume-based procurement measure*

The State introduced the volume-based high-value medical consumables procurement measure in the PRC in order to rectify the pricing system of high-value medical consumables and lower the medical burden of the citizens. High-value medical consumables refer to consumables such as artificial cardiac pacemaker, stenting, orthopedic materials and devices etc. Since the promulgation of “The Reform Plan for the Control of High-value Medical Consumables” by the General Office of the State Council in July 2019, more and more provinces have announced their own volume-based high-value medical consumables procurement implementation proposals and it is expected that all the provinces in the PRC will formulate their own implementation proposals the soonest. Although different provinces have their own procurement measures, they can be broadly classified into three categories: (i) volume-based procurement at city level; (ii) volume-based procurement at provincial level; and (iii) formulation of volume-based procurement alliance among various provinces. The implementation measures under each category is similar to each other. Hospitals in each district (city, province or provincial alliance) centralize their procurement of selected high-value medical consumables. According to the basic policies and requirements set by the State, suppliers are invited to submit their tenders. In view of the substantial volume of consumables involved as compared with procurement by individual hospitals in the past, under this new procurement measure, hospitals have stronger bargaining power to negotiate for a lower pricing for the products. Companies with winning tenders are shortlisted to supply their high-value medical consumables to the relevant hospitals for a fixed period of time, which usually last for one or two years. As a result, companies which have failed the tenders will be out of a particular market for a substantial period of time until the next procurement round. While the policy can effectively lower the price of high-value medical consumables in a significant way, it has also paved the way for large scale high-value medical consumables suppliers, such as the Company, to take up a larger market share. According to the statistics released by National Healthcare Security Administration, in 2020, volume-based procurement measures had been adopted for 19 types of medical consumables during the year. When the implementation of the volume-based procurement measures by different provinces is getting more matured, it is expected that volume-based procurement will be adopted on more varieties of medical consumables in the future.

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Besides, we noted that various cities have gradually extended the centralized volume-based procurement measure to include low-value medical consumables as well. Therefore, it is expected that the Company will be benefited from the market opportunity arising from the implementation of the centralized volume-based procurement measure in the PRC medical industry.

*(d) Basis of determination of the Proposed Logistic Caps*

The Proposed Logistic Caps are determined based on the estimated sales to individual hospitals prepared by responsible sales representatives of the Group principally with reference to the historical sales of products through Logistic Company Group as well as the latest communication between the sales representatives and the hospitals in respect of the anticipated demand for the coming years principally after taking into account the purchasing plan of the customers (if any), historical transaction amount with the customers, expected demand for existing products, expected sales of new products of the Group and expected overall market growth.

We have obtained and reviewed the Proposed Logistic Caps estimation schedule prepared by the Company and noted that the Proposed Settlement Cap for the year ending 31 December 2022 is the sum of the estimated amounts settled by Logistic Company Group for the Group's sales of products to hospitals through Logistic Company Group. We have discussed with the Management and understand that the estimated settlement amounts with individual companies within Logistic Company Group can be further broken down into estimated settlement amounts in respect of sales to individual customers which in turn is estimated by responsible sales representatives of the Group principally with reference to the factors as mentioned in the basis of determination of annual caps above. We have reviewed the estimated settlement amount breakdown and randomly selected five individual companies within Logistic Company Group. We then interviewed with the sales representatives of the Group for one randomly selected customer for each of the five companies selected. We noted that their basis of estimating the settlement amounts is generally in line with the factors mentioned by the Management. The Management estimates the Proposed Settlement Cap for the year ending 31 December 2023 by applying an annual growth rate of approximately 20% to the amount for the year ending 31 December 2022.

As the logistic service charge is 3% of the total amount paid by the customers while the amount settled by Logistic Company Group is 97% of the total amount paid by the customers, basis of determination of the Proposed Logistic Service Fee Cap is basically the same as the basis of determination of the Proposed Settlement Cap as discussed above.

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(e) *Our view*

We noted that both the Proposed Settlement Cap and the Proposed Logistic Service Fee Cap represent significant growth as compared with the respective actual amounts incurred for the year ended 31 December 2020 and the nine months ended 30 September 2021. As stated in the Letter from the Board, the expected growth has taken into account (i) the historical growth in the sales of products to hospitals using the Logistic Services provided by Logistic Company Group; (ii) prospects and overview of the PRC medical device industry; (iii) historical business and financial growth of the Group and the expected business expansion of the Group; (iv) increasing customer coverage by Logistic Company Group from 1,294 PRC customers of the Group as at 31 December 2020 to 2,624 PRC customers of the Group as at 30 September 2021; and (v) seasonality factor that sales of the medical device industry experience higher sales in the second half of the year in general.

The actual amount settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group for the nine months ended 30 September 2020 was approximately RMB777.5 million, representing approximately 68.9% ("**Logistic Estimation Ratio**") of the actual settlement amount for the year ended 31 December 2020. By applying the Logistic Estimation Ratio to the actual settlement amount for the nine months ended 30 September 2021, the estimated annual settlement amount for the year ending 31 December 2021 would be approximately RMB2,027.3 million ("**2021 Estimated Annual Settlement Amount**"). We noted that the growth rate between the Proposed Settlement Cap for the year ending 31 December 2022 and the 2021 Estimated Annual Settlement Amount is approximately 146.6%, which falls between (i) the growth rate of approximately 162.2% between the total settlement amounts for the years ended 31 December 2019 and 2020 ("**2019 & 2020 Annual Settlement Growth Rate**"); and (ii) the growth rate of approximately 79.7% between the total settlement amount for the nine months ended 30 September 2020 and 2021 ("**2020 & 2021 Nine Months Settlement Growth Rate**"). Similarly, we also noted that the growth rate between the Proposed Settlement Caps for the years ending 31 December 2022 and 2023 of 20% is lower than both the 2019 & 2020 Annual Settlement Growth Rate and 2020 & 2021 Nine Months Settlement Growth Rate. As the logistic service charge and the amount collected from Logistic Company Group are derived from respective fixed percentages of the total amount paid by the ultimate customers of the Group, the growth rates of the Proposed Logistic Service Fee Caps are the same as the Proposed Settlement Caps.

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Taking into account (i) the historical actual amount settled by Logistic Company Group for the Group's sales to hospitals through Logistic Company Group for the year ended 31 December 2020 and the nine months ended 30 September 2021; (ii) the expected market growth and business growth of the Group; (iii) the potential market opportunity resulting from the implementation of the centralized volume-based high-value procurement measure in the PRC medical industry; (iv) the basis of determination of the Proposed Logistic Caps as advised by the Management; (v) the estimated annual growth rate between the Proposed Settlement Cap for the year ending 31 December 2022 and the 2021 Estimated Annual Settlement Amount falls between the 2019 & 2020 Annual Settlement Growth Rate and 2020 & 2021 Nine Months Settlement Growth Rate; (vi) the estimated annual growth rate between the Proposed Settlement Caps for the years ending 31 December 2022 and 2023 is lower than both the 2019 & 2020 Annual Settlement Growth Rate and 2020 & 2021 Nine Months Settlement Growth Rate; and (vii) the growth rates of the Proposed Logistic Service Fee Caps are the same as the Proposed Settlement Caps, we are of the view that the Proposed Logistic Caps are fair and reasonable.

### 7. Recommendation

Having considered the above principal factors and reasons, we consider (i) the Continuing Connected Transactions under the Supplemental Purchase Framework Agreement and the Logistic Support Services Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Supplemental Purchase Framework Agreement, the Logistic Support Services Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of

**China Galaxy International Securities (Hong Kong) Co., Limited**

**Jessica Lee**

*Managing Director*

Investment Banking

*Note:* Ms. Jessica Lee is a licensed person registered with the SFC and is a responsible officer of China Galaxy International Securities (Hong Kong) Co., Limited to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Ms. Jessica Lee has over 15 years of experience in securities and investment banking industry.



## 1. RESPONSIBILITY STATEMENT

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 Group. 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 herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

As at the Latest Practicable Date, the interests or short positions of the Directors and the chief executives in the Shares, underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules (the “**Model Code**”), will be as follows:

### (i) Long positions in the Shares of the Company

Director	Nature of interest (long position)	Number of Shares	Approximate percentage of shareholding (%)
Mr. Chen Lin	Beneficial interest	196,000	0.004%
Mr. Long Jing	Beneficial interest	6,960,000	0.15%
Mr. Cong Rinan	Beneficial interest	2,400,000	0.05%

## (ii) Long positions in the registered capital of Weigao Holding

Name of director	Capacity	Amount of registered capital	Approximate percentage of the registered capital of Weigao Holding (%)
Mr. Chen Lin	Beneficial owner	9,760,000	0.81%

*Note:* Weigao Holding is owned as to 89.83% by 威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited\*) which in turn is owned as to 51.7% by Mr. Chen Xueli and 7.4% by Mr. Chen Lin.

Mr. Chen Lin, a son of Mr. Chen Xue Li, an ultimate de facto controller of Weigao Holding.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company or any of their spouses or children under the age of 18 was interested, or was deemed to be interested in the long and short positions in the Shares, underlying Shares and debentures of the Company or any of its holding company, subsidiaries or other associated corporation (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required pursuant to the Model Code to be notified to the Company and the Stock Exchange. At no time had the Company or any of its holding company or subsidiaries been participated in any arrangements to enable the Directors or chief executive (including their spouses or children under the age of 18) of the Company to acquire any interests and short positions of Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

### 3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, other than the interests and short positions of certain directors and chief executives as disclosed under the paragraph above, the interests and short positions of persons in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under section 336 of the SFO were as follows:

Shareholder	Nature of interest (long position)	Number of Shares	Approximate percentage of shareholding (%)
Weigao Holding <sup>(Note)</sup>	Beneficial interest	2,099,755,676	45.94%

*Note:* Weigao Holding directly holds 1,982,755,676 Shares and indirectly holds 117,000,000 Shares through its wholly owned subsidiaries. Weigao Holding is 89.83% controlled by 威海威高國際醫療投資控股有限公司, which in turn is 51.7% controlled by Mr. Chen Xueli.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

### 4. DIRECTORS' SERVICES AGREEMENTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

**5. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS, CONTRACTS OF SIGNIFICANCE AND ASSETS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2020, being the date to which the latest published audited accounts of the Company were made up.

As at the Latest Practicable Date, there is no other contract or arrangement subsisting at the Latest Practicable Date in which any of the Directors is materially interested and which is significant in relation to the business of the Group.

**6. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquires, none of the Directors and their respective close associates were considered to have any interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group as required to be disclosed pursuant to the Listing Rules.

**7. MATERIAL ADVERSE CHANGES**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

**8. EXPERT'S STATEMENTS**

The following are the qualifications of the expert who have given opinion contained in this circular:

<b>Name</b>	<b>Qualification</b>
China Galaxy International Securities (Hong Kong) Co., Limited	A corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, the above expert had given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice and opinion and references to its name in the form and context in which it appeared.

As at the Latest Practicable Date, the above expert did not have any shareholding in any member of the Group or any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

#### **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business in Hong Kong of the Company at 29/F Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM and at the EGM:

1. the Supplemental Purchase Framework Agreement;
2. the Logistic Support Services Framework Agreement;
3. the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 19 and 20 of this circular;
4. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 46 of this circular;
5. the written consent as referred to under the paragraph headed “8. Expert’s Statements” in this section; and
6. this circular.

#### **10. MISCELLANEOUS**

In case of any inconsistency, the English text of this circular shall prevail over its Chinese text.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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# **WEGO 威高**

## 山東威高集團醫用高分子製品股份有限公司 Shandong Weigao Group Medical Polymer Company Limited \*

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1066)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of the shareholders of Shandong Weigao Group Medical Polymer Company Limited (the “Company”) will be held at 2/F, 18 Xingshan Road, Weihai Torch Hi-Tech Science Park, Weihai, Shandong, PRC, at 9:00 a.m. on Thursday, 30 December 2021 for the purpose of considering and, if thought fit, passing (with or without modifications), the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

- (1) the Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement), a copy of which is produced at the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the transactions contemplated thereunder; and
- (2) the Logistic Support Services Framework Agreement, a copy of which is produced at the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification, and the transactions contemplated thereby (including the annual caps) be and is hereby approved and confirmed and any one director of the Company be and is hereby authorised to do all such acts or things and sign all documents deemed necessary by him/her for the purpose of giving effect to the Logistic Support Services Framework Agreement and the transactions contemplated thereunder.

By Order of the Board  
**Shandong Weigao Group Medical Polymer Company Limited**  
**Long Jing**  
*Chairman*

Hong Kong, 8 December 2021

\* *For identification purposes only*

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Registered Office:*

18 Xingshan Road  
Weihai Torch Hi-tech Science Park  
Weihai  
Shandong Province  
the PRC

*Principal Place of Business in Hong Kong:*

29/F Two Chinachem Central  
26 Des Voeux Road Central  
Hong Kong

*Notes:*

- (1) Any shareholder of the Company (the “**Shareholder(s)**”) who has the right to attend and vote at the EGM is entitled to appoint one proxy (or more) in writing to attend the EGM and vote on his behalf in accordance with the Company’s articles of association. The proxy need not be a Shareholder. Enclosed herewith is a form of proxy for use in the EGM. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the EGM. For any Shareholder who has appointed more than one proxies, such proxies shall only vote on poll. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders are present at any meeting personally or by proxy, then one such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (2) All Shareholders shall appoint its proxy in writing. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company’s H Shares registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time appointed for holding EGM or 24 hours before the time designated for voting Any shareholder entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
- (3) Shareholders and their proxies attending the EGM shall produce their proof of identification.
- (4) For the purpose of determining the identity of shareholders who are entitled to attend and vote at the EGM, the register of members will be closed from Friday, 24 December 2021 to Thursday, 30 December 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 23 December 2021.
- (5) The holders of the H Shares who intend to attend the EGM, whether in person or by proxy, should complete and return the proxy form to the Company’s H Share registrars in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong no later than 9:00 a.m. on Wednesday, 29 December 2021 by hand, by post, by telegraph or by fax to (852) 2528 3158.
- (6) The EGM is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own traveling and accommodation expenses.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (7) All votes of the Shareholders at the general meetings must be taken by poll.
- (8) Any enquiries about this notice and the EGM shall be sent for the attention to Ms. Yan Yucai at 7/F, 18 Xingshan Road, Weihai Torch Hi-tech Science Park, Weihai, Shandong Province, the PRC (Tel. (86) 631 5660715) or Ms. Phillis Wong at 29/F, Two Chinachem Central, 26 Voeux Road Central, Hong Kong (Tel: (852) 28381490).
- (9) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

*As at the date of this notice, the board of directors (“Directors”) of the Company comprises:*

*Executive Directors*

Mr. Long Jing (*Chairman*)

Mr. Cong Rinan (*Chief Executive Officer*)

*Non-executive Directors*

Mr. Tang Zhengpeng (*Vice Chairman*)

Mr. Chen Lin

Mr. Lian Xiaoming

*Independent non-executive Directors*

Mr. Lo Wai Hung

Mrs. Fu Mingzhong

Mrs. Wang Jinxia