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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) RENEWAL OF LOGISTIC SUPPORT
SERVICES FRAMEWORK AGREEMENT
AND
(3) NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING

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



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

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 5 to 20 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 21 to 22 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 23 to 53 of this circular.

A notice convening the Third EGM to be held at 2/F, 1 Weigao Road, Torch Hi-Tech Science Park, Shandong Province, PRC, at 10:00 a.m. on Friday, 13 October 2023 or immediately following the conclusion of the previous extraordinary general meeting is set out on pages 59 to 61 of this circular. A form of proxy for use at the Third 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 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the Third 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 Third EGM or any adjourned meeting thereof (as the case may be) should you so wish.

18 September 2023

* For identification purposes only

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DEFINITIONS

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

| | |
|---------------------------------|---|
| “Announcements” | the announcements of the Company dated 30 August 2023 and 6 September 2023 in relation to, among others, the Supplemental Purchase Framework Agreement and the Supplemental 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 |
| “Group” | the Company and its subsidiaries |
| “H Shares” | the overseas-listed foreign invested shares in the share capital 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 |
| “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 |

DEFINITIONS

| | |
|---|---|
| “Independent Shareholders” | the Shareholders, other than Weigao Holding, Mr. Long Jing, Mr. Tang Zhengpeng and Mr. Chen Lin and their respective associates (as defined in the Listing Rules) |
| “Latest Practicable Date” | 15 September 2023, 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 is 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 service by Logistic Company Group |
| “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 2024 and 2025 for the transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) |
| “Purchase Framework Agreement” | the agreement dated 5 December 2018 entered into between the Company and Weigao Holding (as supplemented by the supplemental agreements dated 27 September 2019, 18 December 2019, 26 August 2020, 28 October 2020 and 16 November 2021) in relation to the purchase of medical based products from Weigao Holding Group |

DEFINITIONS

| | |
|--|--|
| “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)” | issued shares of the Company, comprise both H Shares and non-listed domestic shares of RMB0.10 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Logistic Support Services Framework Agreement” | the agreement dated 30 August 2023 entered into between parties to the Logistic Support Services Framework Agreement to extend the duration of the Logistic Support Services Framework Agreement, propose annual caps for the financial years ending 31 December 2024 and 2025 and adjust the pricing of the logistic service fee |
| “Supplemental Purchase Framework Agreement” | the agreement dated 30 August 2023 entered into between parties to the Purchase Framework Agreement to extend the duration of the Purchase Framework Agreement and propose annual caps for the financial years ending 31 December 2024 and 2025 |
| “Third EGM” | the third extraordinary general meeting of the Company to be convened and held on 13 October 2023 to consider and, if thought fit, approve, the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the transactions contemplated thereunder (including the corresponding Proposed Annual Caps) |

DEFINITIONS

| | |
|------------------------|--|
| “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 and associates (other than the Company) |
| “%” | percentage or per centum |

* *for identification purposes only.*

LETTER FROM THE BOARD

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*)
Mr. Lu Junqiang
Mr. Ni Shili

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

1 Weigao Road
Torch Hi-tech Science Park
Shandong Province the PRC

Non-executive Directors

Mr. Tang Zhengpeng (*Vice Chairman*)
Mr. Chen Lin

*Principal Place of Business
in Hong Kong:*

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

Independent non-executive Directors

Mr. Li Guohui
Mrs. Meng Hong
Mr. Li Qiang

18 September 2023

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS
(1) RENEWAL OF PURCHASE FRAMEWORK AGREEMENT
(2) RENEWAL OF LOGISTIC SUPPORT
SERVICES FRAMEWORK AGREEMENT
AND
(3) NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING

INTRODUCTION

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

* *For identification purposes only*

LETTER FROM THE BOARD

The purpose of this circular is to give you further details of the transactions contemplated under the Supplemental Purchase Framework Agreement and the Supplemental 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 Third EGM at which relevant ordinary resolutions will be proposed to consider and, if thought fit, approve the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement.

THE SUPPLEMENTAL PURCHASE FRAMEWORK AGREEMENT

On 30 August 2023, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to (i) extend the agreement term of the Purchase Framework Agreement for two years to 31 December 2025; and (ii) propose new annual caps of RMB1,500 million for each of the financial years ending 31 December 2024 and 2025.

Except for the extension of the duration of the agreement and the proposition of the new annual caps for the financial years ending 31 December 2024 and 2025, the principal terms of the Purchase Framework Agreement remain unchanged and are set out below:

- | | |
|-----------------|--|
| 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 Weigao Holding Group. |
| Pricing policy: | Prices and terms of purchase with respect to the Products sold by 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 Weigao Holding Group. |
| Payment terms: | The purchase amount of the Products shall be payable by the Group in advance before delivery or within six months from the date of acceptance of the goods, depending on the types of the Products. |

The payment terms for the purchase of the Products by the Group shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those given to independent third parties by Weigao Holding Group.

LETTER FROM THE BOARD

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

Actual transaction amounts and Proposed Annual Caps

The table below sets out the actual transaction amounts for the purchases by the Group from Weigao Holding Group for the two years ended 31 December 2022 and the six months ended 30 June 2023.

| | For the year ended 31 December 2021 | For the year ended 31 December 2022 | For the six months ended 30 June 2023 |
|----------------------------|--|--|--|
| | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> |
| Actual transaction amounts | 1,031.8 | 1,249.9 | 738.1 |

The existing annual cap for the year ending 31 December 2023 and 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 2025 are set out below.

| | Year ending 31 December | | |
|----------------------|--------------------------------|-----------------|-----------------|
| | 2023 | 2024 | 2025 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Existing annual cap | 1,500.0 million | N/A | N/A |
| Proposed Annual Caps | N/A | 1,500.0 million | 1,500.0 million |

LETTER FROM THE BOARD

As illustrated above, the value of Products procured by the Group from Weigao Holding Group increased from approximately RMB1,031.8 million for the year ended 31 December 2021 to approximately RMB1,249.9 million for the year ended 31 December 2022. The actual transaction amount for the six months ended 30 June 2023 was approximately RMB738.1 million, representing a growth of approximately 12.5% from approximately RMB656.0 million for the six months ended 30 June 2022. Although there was a growth trend in the actual transaction amount for the year ended 31 December 2022 and the six months ended 30 June 2023, it is expected that the transaction amount for each of the two years ending 31 December 2024 and 2025 will be more stabilized. It is expected that demand for infection protection and disease control protection products from Weigao Holdings Group will be gradually decreased principally due to (i) COVID-19 being largely under control in the first half of 2023; and (ii) the acquisition of Weihai Weigao Medical Materials Company Limited, a former wholly-owned subsidiary of Weigao Holding principally engaged in the research and development, manufacturing and sales of infection protection products and disease control production products, by the Group in the second half of 2022. However, the expected decrease in demand for infection protection and disease control protection products is expected to be offset by the expected increase in demand for other medical products such as high-end medical device products. As a result of the foregoing, it is anticipated that that the Proposed Annual Caps for each of the years ending 31 December 2024 and 2025 to be the same as the annual cap for the year ending 31 December 2023.

The Proposed Annual Caps for the purchases of Products from Weigao Holding Group are determined with reference to factors including, (i) the historical transaction amount of approximately RMB1,249.9 million and RMB738.1 million under the Purchase Framework Agreement for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively; and (ii) the anticipated demand for Products provided by Weigao Holding Group for the years ending 31 December 2024 and 2025 after taking into account the nature of Products, the market development trend as well as the expected business development of the Group; and (iii) the pricing of the Products to be provided by Weigao Holding Group.

The Proposed Annual Caps for each of the years ending 31 December 2024 and 2025 is the same as the existing annual cap for the year ending 31 December 2023. The transaction amount of approximately RMB1,249.9 million and RMB1,476.2 million for the year ended 31 December 2022 and the year ending 31 December 2023 (in annualized basis) represented approximately 83.3% and 98.4% of the Proposed Annual Caps for each of the years ending 31 December 2024 and 2025, respectively. It is expected that demand for the Products from Weigao Holding Group for the years ending 31 December 2024 and 2025 will be similar to the year ending 31 December 2023 except for the expected decrease in demand for infection protection and disease control protection products. However, as discussed above, it is expected that such decrease in purchase for infection protection and disease control protection products from Weigao Holdings Group will be offset by the expected increase in purchase for other medical products such as high-end medical device products as a result of the recent strategic co-operation between Weigao Holding and two renowned companies in the medical device industry for the development, manufacture and sale of high-end medical device products. Besides, it is assumed that there will not be

LETTER FROM THE BOARD

material change in the pricing of the Products to be provided by Weigao Holding Group for the year ending 31 December 2024 and 2025 as compared with the current pricing of the relevant Products. As a result of the foregoing, it is expected that the Proposed Annual Caps for each of the years ending 31 December 2024 and 2025 is the same as the existing annual cap for the year ending 31 December 2023.

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. The Products purchased from Weigao Holding Group under the Purchase Framework Agreement were related to all the Group's principal business segments. Therefore, upon recent review of the Group's business development, it is anticipated that the Company will continue to procure the Products from Weigao Holding Group in the near future. Given that the Purchase Framework Agreement will expire on 31 December 2023, 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 an arm's length basis and comparable with terms available from independent third parties.

THE SUPPLEMENTAL LOGISTIC SUPPORT SERVICES FRAMEWORK AGREEMENT

On 30 August 2023, the Company entered into the Supplemental Logistic Support Services Framework Agreement with Logistic Company to (i) extend the agreement term of the Logistic Support Services Framework Agreement for two years to 31 December 2025; (ii) propose new annual caps of RMB4,400 million and RMB5,200 million for the financial years ending 31 December 2024 and 2025, respectively; and (iii) adjust the pricing of the logistic service fee from 3% of the total amount settled by Logistic Company Group for sales to customers through Logistic Company Group to not more than 3%.

Except for the extension of the duration of the agreement, the proposition of the new annual caps for the financial years ending 31 December 2024 and 2025 and the adjustment of the pricing of the logistic service fee, all other terms of the Logistic Support Services Framework Agreement remain unchanged and are set out below:

LETTER FROM THE BOARD

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 not more than 3% of the ultimate price paid by customers (such as hospitals) as logistic service fees. Logistic Company Group should settle the remaining at least 97% of the ultimate price paid by customers ("**Settlement Amount**") 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 Supplemental 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 Supplemental Logistic Support Services Framework Agreement are on normal commercial terms.

Payment terms: Logistic Company Group should pay the Settlement Amount to the Group within 30 days from the date of receipt of the payment from the customers. The payment terms for the logistic services shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those given to independent third parties by Logistic Company Group.

LETTER FROM THE BOARD

The Group negotiates and agrees the pricing of medical consumables and devices products directly with customers and nominate logistic operators (including Weigao Holding Group) to deliver the products. Logistic operators collect the payment from the customers on behalf of the Group and the logistic operators settle the payment received from the customers with the Group on a back-to-back basis, and should be within 30 days from the date of receipt of the payment from the customers. 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 customers. Pursuant to the Supplemental Logistic Support Services Framework Agreement, the logistic service fee charged by Logistic Company Group represents not more than 3% of the total amount paid by customers. The logistic service fee of not more than 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 fee charged by Logistic Company with the fees of at least two independent suppliers at the time of entering into the Supplemental Logistic Support Services Framework Agreement to make sure the fee offered by Logistic Company are no less favourable than market. The Company will also compare the market prices and payment terms to the pricings and payment terms of the Logistic Services offered by Logistic Company Group on a half-yearly basis. In the event that the pricings and payment terms of the Logistic Services offered by Logistic Company Group are found to be less favourable, the Company will timely negotiate with Logistic Company Group to adjust.

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 customers through Logistic Company Group (i.e. the net amount after deducting not more than 3% logistic service fee from the gross amount paid by customers); and (ii) the corresponding logistic service fee charged by Logistic Company Group for the year ended 31 December 2022 and the six months ended 30 June 2023.

| | For the year ended 31 December 2022 | For the six months ended 30 June 2023 |
|--|--|--|
| | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> |
| Actual amounts settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group | 3,346.9 | 1,844.9 |
| Actual logistic service fee | 78.2 | 54.4 |

LETTER FROM THE BOARD

The existing annual cap for the year ending 31 December 2023 and the Proposed Annual Caps in respect of the transactions contemplated under the Supplemental Logistic Support Services Framework Agreement for the two years ending 31 December 2025 are set out below.

| | Year ending 31 December | | |
|---|--------------------------------|-----------------|-----------------|
| | 2023 | 2024 | 2025 |
| | <i>RMB</i> | <i>RMB</i> | <i>RMB</i> |
| Existing annual cap | | | |
| Total amount settled by Logistic Company Group for the Group's sales to customers through | | | |
| Logistic Company Group | 6,000.0 million | N/A | N/A |
| Logistic service fee | 186.0 million | | |
| Proposed Annual Caps | | | |
| Total amount settled by Logistic Company Group for the Group's sales to customers through | | | |
| Logistic Company Group | N/A | 4,400.0 million | 5,200.0 million |
| Logistic service fee | N/A | 132.0 million | 156.0 million |

The Proposed Annual Caps in respect of the logistic service fees charged by Logistic Company are RMB132.0 million and RMB156.0 million for the year ending 31 December 2024 and 2025, representing approximately 1.0% and 1.2% of the total revenue of the Group for the year ended 31 December 2022, respectively.

The Proposed Annual Caps for the transactions contemplated under the Logistics Support Services Framework Agreement (as supplemented by the Supplemental Logistics Support Services Framework Agreement) are determined with reference to factors including, (i) the historical amounts of approximately RMB3,346.9 million and RMB1,844.9 million settled by Logistic Company Group for sales to customers through Logistic Company Group for the year ended 31 December 2022 and the six months ended 30 June 2023; (ii) the expected sales of products to customers using the logistic services provided by Logistic Company Group during the next two years; (iii) the prospects and overview of the PRC medical device industry; (iv) the expected business development of the Group; (v) the number of PRC customers which the Group has sold or expects to sell the products to using the logistic support services provided by Logistic Company Group; and (vi) the pricing of the logistic support services to be provided by Logistic Company Group of not more than 3% of the ultimate price paid by customers, in particular:

LETTER FROM THE BOARD

- i. The Proposed Annual Caps for the year ending 31 December 2024 and 2025 of RMB4,400 million and RMB5,200 million represented a growth of approximately 19.2% and 40.9%, respectively, as compared to the transaction amount of approximately RMB3,689.8 million for the year ending 31 December 2023 (in annualized basis), which in turn represented a growth of approximately 10.2% as compared to the transaction amount for the year ended 31 December 2022;
- ii. It is expected that sales of products to customers using the logistic services provided by Logistic Company Group during the next two years ending 31 December 2025 will experience a faster growth. The Group faced severe pressure on product pricing in recent years despite the increasing sales of products to customers in term of volume principally due to the impact of volume-based procurement policy. Besides, sales to hospitals using the logistic services provided by Logistic Company Group was adversely affected by the slower than expected timetable for the Logistic Company Group being the registered logistic operator of hospitals. Logistic Company Group needs to be registered with the hospitals before the Group can sell its products to the relevant hospitals through Logistic Company Group. However, due to the severe outbreak of COVID-19 in 2022, the registration progress has been slower than expected. Besides, there has been an increasing trend for hospitals to limit the number of registered logistic operators in recent years, which has created a barrier for Logistic Company Group to broaden its hospital coverage. Taking into account that COVID-19 has been largely under control since the first half of 2023, it is expected that Logistic Company Group will gradually pick up its pace in the registration with hospitals. Therefore, although the Group will continue to be impacted by the pressure on product pricing, it is expected that Group's sales to customers through Logistic Company Group will have a stronger growth for the years ending 31 December 2024 and 2025 as compared to the year ending 31 December 2023 principally due to the volume growth contributing by the expected increase in hospital coverage by Logistic Company Group as well as the continuous upgrade and broadening of product offerings by the Group;
- iii. According to the National Bureau of Statistics of China, the total expenditure on health of the PRC grew from approximately RMB4,634.5 billion in 2016 to approximately RMB7,684.5 billion in 2021, representing a compound annual growth rate (“CAGR”) of approximately 10.6% during the period. Besides, according to Roland Berger International Management Consulting Co. Ltd., the market size of medical devices in the PRC increased from approximately RMB310 billion in 2015 to approximately RMB840 billion in 2021, representing a CAGR of approximately 18.1% during the relevant period. It is expected that the medical devices industry of the PRC will continue to grow in the near future as a result of the development of medical security system and the population ageing trend;

LETTER FROM THE BOARD

- iv. As disclosed in the interim result announcement of the Company for the six months ended 30 June 2023, although the Group's operating results fluctuated slightly during the period, the management is glad to see strong sales growth in all major products, rapid growth in the Group's market share and significant improvement in industry influence. Amid various uncertainties in the macro-environment and international landscape, the management still remains fully confident about the future sustainable development and growth of the Company in the long term. The management believes that on the back of its strategic presence in a wide range of business sectors and high-quality products, an operational strategy underpinned by persistent market adaptation and a future-oriented approach and initiatives that motivate employee creativity, the Group will continue to maintain and strengthen its leading position in the PRC market; and
- v. The Group had a PRC customer base of 9,735 in aggregate and an overseas customer base of 7,267 customers in aggregate as at 29 August 2023, as compared to a PRC customer base of 9,103 in aggregate and an overseas customer base of 7,354 customers in aggregate as at 27 April 2023. With the continuous expansion of the Group's PRC customer, together with the expected increase in hospital coverage by Logistic Company Group as discussed in sub-paragraph (ii) above, it is expected that there will be increasing sales of products to customers through the Logistic Company Group in the next two years.

Reasons for entering into the Supplemental Logistic Support Services Framework Agreement

Upon recent review of the Group's business development, it is anticipated that the Company will continue to have the need to subscribe for the logistic support services from the logistic operators in the future. 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 the maximum logistic service fee charged by Logistic Company pursuant to the Supplemental Logistic Support Services Framework Agreement (i.e. 3% of the total amount paid by the customers). 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 Supplemental 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 Supply, Processing and Distribution operator to further secure a competitive market position in supplying medical consumables and devices to customers.

LETTER FROM THE BOARD

The transactions contemplated under the Supplemental 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 Logistic Company Group. The services contemplated under the Supplemental Logistic Support Services Framework Agreement will be negotiated on an 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 (as supplemented by the Supplemental Logistic Support Services Framework Agreement), which include the followings:

The purchases

- before ordering, a designated staff 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 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;
- 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 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 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 designated staff should compare the pricings and terms of the Logistic 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 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;

LETTER FROM THE BOARD

- 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 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 (as supplemented by the Supplemental 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 (as supplemented by the Supplemental 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.

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 medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products, and operates financing business.

Weigao Holding

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

LETTER FROM THE BOARD

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*) (“**Weigao International**”), 5.79% by Mr. Chen Xue Li and 0.81% by Mr. Chen Lin. Mr. Chen Lin is a non-executive Director and the son of Mr. Chen Xue Li. Weigao International is an investment holding company incorporated in the PRC and is owned as to 51.7% by Mr. Chen Xue Li, 7.4% by Mr. Chen Lin and 7.5% by 濟南市創鑫股權投資合夥企業(有限合夥) (Jinan City Chuangxin Equity Investment Partnership (Limited Partnership)*), an equity investment fund in the PRC with 山東省財金創業投資有限公司 (Shandong Caijin Venture Capital Co., Ltd.) being the asset manager. The remaining 3.57% shareholding interests in Weigao Holding and 33.4% shareholding interests in Weigao International are held by four individuals, who are Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua and Mr. Wang Yi, all of them are directors of Weigao International, and Mr. Miao Yan Guo, who is an independent third party.

Logistic Company

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 it is principally engaged in medical device logistic support services in the PRC.

Logistic Company is owned as to 90% by 上海固誠醫院管理有限公司 (Shanghai Gucheng Hospital Management Company Limited*) (“**Shanghai Gucheng**”) and 10% by 威海維康醫療科技服務有限公司 (Weihai Weikang Medical Technology Services Company Limited*), a wholly owned subsidiary of Weigao Holding. Shanghai Gucheng is owned as to 70% by Weigao Holding, 20% by Weigao International and 10% by 威海盛熙企業管理諮詢中心(有限合夥)(Weihai Shengxi Corporate Management Consulting Center (Limited Partnership)*) (“**Weihai Shengxi**”). Weihai Shengxi is an equity investment company incorporated in the PRC with 威海威高金融控股有限公司 (Weihai Weigao Financial Holding Company Limited*), which in turn is 98% owned by Weigao International and 2% owned by Weigao Holding, being the executive partner.

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 pursuant to Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement constitute continuing connected transactions of the Company.

LETTER FROM THE BOARD

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

As at the Latest Practicable Date, Weigao Holding and its associates together held 2,099,755,676 Shares (representing approximately 45.94% of the total issued share capital of the Company), Mr. Long Jing and his associates together held 6,480,000 Shares (representing approximately 0.14% of the total issued share capital of the Company) and Mr. Chen Lin and his associates together held 196,000 Shares (representing approximately 0.004% of the total issued share capital of the Company). Besides, each of Mr. Long Jing, Mr. Chen Lin and Mr. Tang Zhengpeng are the directors of Weigao Holding. Therefore, Weigao Holding, Mr. Long Jing, Mr. Chen Lin and Mr. Tang Zhengpeng and their respective associates will all abstain from voting on the resolutions to be proposed at the Third EGM to approve the Supplemental Purchase Framework Agreement and the Supplemental 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 (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the transactions contemplated thereunder, and the corresponding 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 Third EGM. The Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in these regards.

GENERAL

Mr. Long Jing, Mr. Tang Zhengpeng and Mr. Chen Lin, who are also directors of Weigao Holding, have abstained from voting in the relevant resolution of the board meeting of the Company dated 29 August 2023.

LETTER FROM THE BOARD

The executive Directors, namely Mr. Cong Rinan, Mr. Lu Junqiang, Mr. Ni Shili and all 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 Supplemental Logistic Support Services Framework Agreement were entered into in the ordinary and usual 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 grantees who held a total of 48,300,000 non-listed domestic shares of the Company and 14,456,000 H Shares under the share award scheme adopted on 17 November 2014 by the Company will not exercise the voting rights attached to any incentive shares held by them.

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

It is proposed that the Third EGM to be convened and held at 2/F, 1 Weigao Road, Torch Hi-Tech Science Park, Weihai, Shandong Province, PRC, at 10:00 a.m. on Friday, 13 October 2023 or immediately following the conclusion of the previous extraordinary general meeting, for the purpose of considering, and if thought fit, approve the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement. A notice of the Third EGM is set out on pages 59 to 61 of this circular.

In order to determine the shareholders who are entitled to attend and vote at the Third EGM, the register of members of the Company for H Shares will be closed from Tuesday, 10 October 2023, to Friday, 13 October 2023 (both days inclusive), during which period no transfer of H Shares will be effected. In order to qualify for attending and voting in the Third 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 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 9 October 2023.

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

Latest time to lodge in transfer instrument accompanied

by the share certificates for H Shares 4:30 p.m., Monday,
9 October 2023

Closure of register of members of the Company for

attending and voting in the Third EGM Tuesday, 10 October 2023
to Friday, 13 October 2023
(both days inclusive)

Date of the Third EGM Friday, 13 October 2023

LETTER FROM THE BOARD

Proxy form for use at the Third 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 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong, not less than 24 hours before the time fixed for holding the Third 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.

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 Third 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 Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) are entered into in the ordinary and usual 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 ordinary resolutions to be proposed at the Third EGM to approve the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the transactions contemplated thereunder and the Proposed Annual Caps.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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)

18 September 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF PURCHASE FRAMEWORK AGREEMENT
AND
RENEWAL OF LOGISTIC SUPPORT
SERVICES FRAMEWORK AGREEMENT**

We refer to the circular of the Company to the Shareholders dated 18 September 2023 (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 (as supplemented by the Supplemental 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 Third EGM.

The Independent Financial Adviser has been appointed by the Company to advise us and the Independent Shareholders in these regards. 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 23 to 53 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 5 to 20 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 23 to 53 of the Circular and to the appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered, among other things, the principal factors and reasons underlying the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement as well as the advice of the Independent Financial Adviser as set out in the Circular, we consider (i) the Continuing Connected Transactions under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental 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 recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the Third EGM to approve the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Shandong Weigao Group Medical Polymer Company Limited

Mr. Li Guohui

Mrs. Meng Hong

Mr. Li Qiang

* *for identification purposes only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of 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.



20/F, Wing On Centre
111 Connaught Road Central
Sheung Wan, Hong Kong

18 September 2023

*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) RENEWAL OF LOGISTIC SUPPORT SERVICES FRAMEWORK AGREEMENT

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 (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the corresponding Proposed Annual Caps. Details of the Supplemental Purchase Framework Agreement and the Supplemental 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 18 September 2023 (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 various supplemental agreements to extend the agreement term and propose new annual caps. On 16 November 2021, the Company and Weigao Holding entered into the fifth 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 Weigao Holding Group to RMB1,300 million and RMB1,500 million for the year ended 31 December 2022 and the year ending 2023, respectively. All other terms as stipulated in the Purchase Framework Agreement remained unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Upon recent review of the Group's business development, it is anticipated that the Company will continue to procure the Products from Weigao Holding Group in the near future. Given that the Purchase Framework Agreement will expire on 31 December 2023, the Directors proposed to renew the agreement by entering into the Supplemental Purchase Framework Agreement on 30 August 2023 to (i) extend the agreement term for two years to 31 December 2025; and (ii) propose new annual caps of RMB1,500 million for each of the financial years ending 31 December 2024 and 2025. 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 or associates 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.

Upon recent review of the Group's business development, it is anticipated that the Company will continue to procure the Logistic Services from Logistic Company in the near future. Given that the Logistic Support Services Framework Agreement will expire on 31 December 2023, the Directors proposed to renew the agreement by entering into the Supplemental Logistic Support Services Framework Agreement on 30 August 2023 to (i) extend the agreement term for two years to 31 December 2025; (ii) propose new annual caps of RMB4,400 million and RMB5,200 million for the financial years ending 31 December 2024 and 2025, respectively; and (iii) adjust the pricing of the logistic service fee from 3% of the total amount settled by Logistic Company Group for sales to customers through Logistic Company Group to not more than 3%. All other terms as stipulated in the Logistic Support Services Framework Agreement remained unchanged.

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 (as supplemented by the Supplemental 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 Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental 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, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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. As at the Latest Practicable Date, Weigao Holding and its associates together held 2,099,755,676 Shares (representing approximately 45.94% of the total issued share capital of the Company), Mr. Long Jing and his associates together held 6,480,000 Shares (representing approximately 0.14% of the total issued share capital of the Company) and Mr. Chen Lin and his associates together held 196,000 Shares (representing approximately 0.004% of the total issued share capital of the Company). Besides, each of Mr. Long Jing, Mr. Chen Lin and Mr. Tang Zhengpeng are the directors of Weigao Holding. Therefore, Weigao Holding, Mr. Long Jing, Mr. Chen Lin and Mr. Tang Zhengpeng and their respective associates will all abstain from voting on the resolutions to be proposed at the Third EGM to approve the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Li Guohui, Mrs. Meng Hong and Mr. Li Qiang, has been established to advise the Independent Shareholders as to whether the terms of the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the transactions contemplated thereunder, and the corresponding 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. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

Save for the appointments by the Company to act as the independent financial advisor to advise its independent board committee and independent Shareholders in relation to (i) the terms and corresponding proposed annual caps of Continuing Connected Transactions in August 2023; (ii) the proposed conditional grant of share awards in August 2023, details of which were disclosed in the announcement of the Company dated 31 August 2023; (iii) the terms and corresponding proposed annual caps of certain continuing connected transactions of the Company in November 2021, details of which were disclosed in the announcement of the Company dated 16 November 2021; and (iv) the terms and corresponding proposed annual caps of continuing connected transactions of the Company in August 2021, details of which were disclosed in the announcement of the Company dated 27 August 2021, we have not acted as an independent financial advisor to the Company's other transactions in the last two years from the date of this letter. The above appointments are/were limited to providing independent financial advisory services to the independent board committee and independent Shareholders of the Company pursuant to the Listing Rules, and we, in return, will/had received fixed normal advisory fees from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, save for the abovementioned appointments as the independent financial advisor, we did not have any other 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 not aware of any circumstances as set out in Rule 13.84 under the Listing Rules or any other matters which may cause us to have a conflict of interest and therefore, 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.

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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 Third 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.

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 (including the Supplemental Logistic Support Services Framework Agreement), the annual reports of the Company for the year ended 31 December 2022 (“**2022 Annual Report**”) and the year ended 31 December 2021 (“**2021 Annual Report**”), the interim results of the Company for the six months ended 30 June 2023 (“**2023 Interim Results**”) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products, and operates financing business.

As at 29 August 2023, the Group has a PRC customer base of 9,735 in aggregate (including 3,778 hospitals, 419 blood stations, 1,169 other medical units and 4,369 distributors) and an overseas customer base of 7,267 in aggregate (including 3,486 hospitals, 1,642 other medical units and 2,139 distributors).

The key financial information of the Group for the three years ended 31 December 2022 and the six months ended 30 June 2022 and 2023 is summarized as below:

| | For the year ended 31 December | | | For the six months ended 30 June | |
|--|--------------------------------|-------------------------|-------------------------|-------------------------------------|---------------------------|
| | 2022 | 2021 | 2020 | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) (Restated) | (Audited) (Restated) | (Unaudited) | (Unaudited) (Restated) |
| Revenue | 13,619,007 | 13,208,942 | 11,701,971 | 6,897,700 | 7,078,689 |
| Gross profit | 7,113,082 | 7,352,893 | 6,499,571 | 3,543,479 | 3,708,004 |
| Profit for the year/period attributable to owners of the Company | 2,723,309 | 2,275,929 | 2,196,857 | 1,197,767 | 1,522,133 |
| | | | | | |
| | As at 31 December | | | As at 30 June | |
| | 2022 | 2021 | 2020 | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Audited) | (Audited) (Restated) | (Audited) (Restated) | (Unaudited) | (Unaudited) |
| Total assets | 33,402,339 | 30,577,757 | 28,157,048 | 33,935,728 | 32,650,933 |
| Total liabilities | 9,820,055 | 9,530,752 | 9,152,658 | 10,356,272 | 10,315,910 |
| Equity attributable to owners of the Company | 21,766,865 | 19,406,646 | 18,159,282 | 22,029,363 | 20,613,588 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Six months ended 30 June 2023 compared with six months ended 30 June 2022

As illustrated in the table above, revenue of the Group amounted to approximately RMB6,897.7 million for the six months ended 30 June 2023, representing a decrease of approximately 2.6% as compared to that of approximately RMB7,078.7 million for the last period. According to the 2023 Interim Results, such decrease was mainly attributable to the impact of the accounting restatements due to business combination under common control during the same period in 2022. Excluding the abovementioned impact, the revenue of the Group for the six months ended 30 June 2023 decreased by approximately 1.1% over the same period last year, which was mainly attributable to approximately 33.5% decrease in revenue generated from the orthopaedic business to approximately RMB797.1 million principally as a result of the policy impact and the new stage of industry reshaping. The impact of such decrease in revenue was partially offset by (i) the increase in revenue generated from the interventional business to approximately RMB1,061.7 million, representing an increase of approximately 18.9% over that of the last period principally as a result of the increased sales of Argon products in the PRC market; (ii) the increase in revenue generated from the pharmaceutical packaging business to approximately RMB1,061.1 million, representing an increase of approximately 0.5% over that of the last period principally as a result of the further expansion of the market influence in the segment of pre-pack bio-pharmaceuticals and broadened customer base; and (iii) the increase in revenue generated from the medical device products to approximately RMB3,454.3 million, representing an increase of approximately 0.4% over that of the last period principally as a result of enhanced product mix and new customer development.

During the six months ended 30 June 2023, the gross profit margin of the Group decreased to approximately 51.4% from approximately 52.4% for the same period last year, mainly attributable to the fact that the Group proactively responded to national and regional volume-driven procurements by lowering the selling prices of some of the products. The impact of such price cuts on gross profit margin was partially offset by the Group's reduction in production costs. Moreover, the impact of volume-driven procurements on operating profit was offset by the reduction in operating expenses. The product mix of the Group was further adjusted and optimised, thus further enhancing its risk resistance capability. Profit attributable to owners of the Company decreased from approximately RMB1,522.1 million for the six months ended 30 June 2022 to approximately RMB1,197.8 million for the six months ended 30 June 2023, representing a decrease of approximately 21.3%, mainly as a result of the decrease in revenue and gross profit margin as discussed above and the absence of extraordinary items¹ during the six months ended 30 June 2023.

¹ During the six months ended 30 June 2022, extraordinary items included the issue of new shares by Shandong Weigao Blood Purification Products Co., Ltd. to investors, and the Company's equity was diluted from 28.0871% to 26.55%, resulting in a gain of approximately RMB100.4 million.

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Year ended 31 December 2022 compared with year ended 31 December 2021

As illustrated in the table above, revenue of the Group amounted to approximately RMB13,619.0 million for the year ended 31 December 2022, representing an increase of approximately 3.1% as compared with that of approximately RMB13,208.9 million for the year ended 31 December 2021. According to the 2022 Annual Report, such increase was mainly attributable to (i) the increase in revenue generated from the interventional products business from approximately RMB1,772.9 million for the year ended 31 December 2021 to approximately RMB1,938.2 million for the year ended 31 December 2022, representing an increase of approximately 9.3% as a result of the increased sales of Argon products in the PRC market; (ii) the increase in revenue generated from pharma packaging business from approximately RMB2,040.4 million for the year ended 31 December 2021 to approximately RMB2,105.4 million for the year ended 31 December 2022, representing an increase of approximately 3.2% as a result of the further expansion of the market influence in the segment of pre-pack bio-pharmaceuticals and broadened customer base; and (iii) the increase in revenue generated from the clinical care business from approximately RMB4,632.0 million for the year ended 31 December 2021 to approximately RMB4,726.6 million for the year ended 31 December 2022, representing an increase of approximately 2.0% as a result of enhanced product mix.

For the year ended 31 December 2022, the gross profit of the Group slightly decreased to approximately RMB7,113.1 million from approximately RMB7,352.9 million for the year ended 31 December 2021. The decrease was mainly attributable to the decrease in gross margin of the Group from approximately 55.7% for the year ended 31 December 2021 to approximately 52.2% for the year ended 31 December 2022, 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 RMB2,275.9 million for the year ended 31 December 2021 to approximately RMB2,723.3 million for the year ended 31 December 2022, representing an increase of approximately 19.7%, mainly as a result of the increase in other income, gains and losses and decrease in selling expenses.

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Year ended 31 December 2021 compared with year ended 31 December 2020

For the year ended 31 December 2021, revenue of the Group amounted to approximately RMB13,208.9 million, representing an increase of approximately 12.9% as compared with that of the previous financial year ended 31 December 2020. According to the 2021 Annual Report, such increase in revenue was mainly attributable to (i) the increase in revenue generated from orthopedic products business from approximately RMB1,747.8 million for the year ended 31 December 2020 to approximately RMB2,126.6 million for the year ended 31 December 2021, representing an increase of approximately 21.7% as a result of the 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; (ii) the increase in revenue generated from pharma packaging business from approximately RMB1,693.8 million for the year ended 31 December 2020 to approximately RMB2,040.4 million for the year ended 31 December 2021, an increase of approximately 20.5% as a result of prefilled syringes recorded a year-on-year increase of 35.2% and the expansion of market influence in the segment of pre-pack bio-pharmaceuticals and broadened customer base; (iii) the increase in revenue generated from interventional products business from approximately RMB1,611.6 million for the year ended 31 December 2020 to approximately RMB1,772.9 million for the year ended 31 December 2021, representing an increase of approximately 10.0% as a result of the increased sales of Argon products in the PRC market; and (iv) the increase in revenue generated from clinical care business from approximately RMB4,267.5 million for the year ended 31 December 2020 to approximately RMB4,574.8 million for the year ended 31 December 2021, representing an increase of 7.2% as a result of enhanced product mix.

Gross profit of the Group increased to approximately RMB7,352.9 million for the year ended 31 December 2021 from approximately RMB6,499.6 million for the year ended 31 December 2020, which was mainly attributable to the increase in revenue as discussed above. Profit attributable to owners of the Company increased to approximately RMB2,275.9 million for the year ended 31 December 2021 from approximately RMB2,196.9 million for the year ended 31 December 2020, representing an increase of approximately 3.6%, mainly as a result of the increase in gross profit as discussed above.

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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. 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*) (“**Weigao International**”), 5.79% by Mr. Chen Xue Li and 0.81% by Mr. Chen Lin. Mr. Chen Lin is a non-executive Director and the son of Mr. Chen Xue Li. Weigao International is an investment holding company incorporated in the PRC and is owned as to 51.7% by Mr. Chen Xue Li, 7.4% by Mr. Chen Lin and 7.5% by 濟南市創鑫股權投資合夥企業(有限合夥)(Jinan City Chuangxin Equity Investment Partnership (Limited Partnership)*), an equity investment fund in the PRC with 山東省財金創業投資有限公司(Shangdong Caijin Venture Capital Co., Ltd.) being the asset manager. The remaining 3.57% shareholding interests in Weigao Holding and 33.4% shareholding interests in Weigao International are held by four individuals, who are Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua and Mr. Wang Yi, all of them are directors of Weigao International, and Mr. Miao Yan Guo, who is an independent third party.

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 it is principally engaged in medical device logistic operation and distribution services in the PRC. It is owned as to 90% by 上海固誠醫院管理有限公司 (Shanghai Gucheng Hospital Management Company Limited*) (“**Shanghai Gucheng**”) and 10% by 威海維康醫療科技服務有限公司 (Weihai Weikang Medical Technology Services Company Limited*), a wholly owned subsidiary of Weigao Holding. Shanghai Gucheng is owned as to 70% by Weigao Holding, 20% by Weigao International and 10% by 威海盛熙企業管理諮詢中心(有限合夥)(Weihai Shengxi Corporate Management Consulting Center (Limited Partnership)*) (“**Weihai Shengxi**”). Weihai Shengxi is an equity investment company incorporated in the PRC with 威海威高金融控股有限公司 (Weihai Weigao Financial Holding Company Limited*), which in turn is 98% owned by Weigao International and 2% owned by Weigao Holding, being the executive partner.

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 and Logistic Company is a subsidiary of Weigao Holding, Weigao Holding and Logistic Company are connected persons of the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Reasons for and benefit of entering into the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services 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 Weigao Holding Group and subscribe the Logistics Services from Logistic Company Group in the near future. Given that the Purchase Framework Agreement and the Logistic Support Services Framework Agreement will expire on 31 December 2023, the Directors proposed to renew the agreements by entering into the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement principally to, among others, (i) extend the agreement term for two years to 31 December 2025; and (ii) propose new annual caps for the financial years ending 31 December 2024 and 2025, for each of the two agreements.

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

In assessing whether the terms of the Continuing Connected Transactions under the Supplemental Purchase Framework Agreement and the Supplemental 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, 16 November 2021 and 30 August 2023) |
| Parties: | (1) the Company; and (2) Weigao Holding |
| Terms: | 1 January 2019 to 31 December 2023, and is currently proposed to extend to 31 December 2025 according to the Supplemental Purchase Framework Agreement |

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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 Weigao Holding Group

Pricing policy: Prices and terms of purchases with respect to the Products sold by 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 Weigao Holding Group

Payment terms: The purchase amount of the Products shall be payable by the Group in advance before delivery or within six months from the date of acceptance of the goods, depending on the types of the Products

The payment terms for the purchase of the Products by the Group shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those given to independent third parties by Weigao Holding Group

The prices charged by Weigao Holding Group shall be made with reference to the standard price list of Weigao Holding Group, being the price at which the same type of products are sold by Weigao Holding Group to independent third parties in its ordinary course of business. The purchase amount of the Products shall be payable by the Group in advance before delivery or within six months from the date of acceptance of the goods, depending on the types of the Products. The prices and payment terms for the purchase of the Products by the Group shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those given to independent third parties by Weigao Holding Group. The Company compares the pricings and payment terms of the Products to be purchased from 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 payment terms of the Products charged by Weigao Holding Group are no less favourable than those offered by independent suppliers. In the event that the pricing and payment terms of the products provided by Weigao Holding Group are found to be less favourable, the Company will timely negotiate with Weigao Holding Group to adjust.

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In order to assess the fairness and reasonableness of the terms of the purchases of Products by the Group from Weigao Holding Group, we have obtained and reviewed the purchase breakdown by product categories during the period from 1 January 2022 to 31 December 2022 (the “**2022 Review Period**”) and 1 January 2023 to 30 June 2023 (the “**2023 Review Period**”, together with 2022 Review Period, “**Review Periods**”) 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. Purchase amount of the Top Three Product Categories accounted for approximately 79.0% and 77.1% of the total purchase of Products from Weigao Holding Group during the 2022 Review Period and 2023 Review Period, respectively. We have obtained and reviewed the invoices of three randomly selected purchase transactions for each of the Top Three Product Categories for each of the 2022 Review Period and 2023 Review Period, respectively. Each of the randomly selected purchase transactions covers different products (“**Sample Products**”) purchased by the Group within the respective Top Three Product Categories. We consider the selection basis of the sample documents to be fair and representative as they give a general idea on the purchase transactions between the Group and Weigao Holding Group for different products of each of the three largest product categories in terms of purchase amount during the Review Periods. We have compared the prices as stated in the relevant sample invoices issued by Weigao Holding Group to the Group for each purchase transaction against the prices as stated in two sets of invoices of similar transactions (“**Sample Independent Transactions**”) between Weigao Holding Group and its independent customers, which are medical device companies, medical device distributors, hospitals or government authorities in the PRC. Based on our comparison, we noted that the prices of the Products offered by Weigao Holding Group to the Group in the samples obtained were lower, and therefore comparable and no less favourable than those offered by Weigao Holding Group to its independent customers. For the 36 Sample Independent Transactions, we have also reviewed the contracts of 31 of them. As advised by the Management, no contracts had been entered into between Weigao Holding Group and the respective independent customer for the remaining five Sample Independent Transactions and no payment terms had been agreed accordingly. We are further advised by the Management that it is the market practice to settle the purchase amount within six months from the date of acceptance of the goods if payment terms are not agreed in advance. Out of the 31 contracts reviewed by us, we noted that the payment terms offered by Weigao Holding Group to its independent customers ranged from payment in advance before delivery to credit period of up to 120 days from the date of acceptance of the goods, except for (i) a contract with a government authority which the payment would be made when the government authority received the relevant financial funding (財政資金); and (ii) a contract with a PRC hospital which payment terms were not specified. Taking into account that (i) Weigao Holding Group offered credit period of up to six months from the date of acceptance of goods in the sample transactions we have reviewed; and (ii)

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Weigao Holding Group offered payment terms of payment in advance before delivery to credit period of up to 120 days from the date of acceptance of the goods for 29 out of 36 Sample Independent Transactions, with the remaining seven Sample Independent Transactions with either no payment terms being agreed in advance or payment to be made when the customer, being a government authority, received the relevant financial funding, we considered the payment terms offered by Weigao Holding Group to the Group are no less favourable than those offered by Weigao Holding Group to its independent customers.

We have obtained and reviewed three quotation comparisons prepared by the Group for each of the 2022 Review Period and 2023 Review Period, respectively. For each review period, each of the three quotation comparisons covered a Sample Product of each of the Top Three Product Categories. We noted that each comparison was prepared by staff of the purchase department and approved by the chief finance officer of the Company. We also noted that each comparison included the quotations from Weigao Holding Group and two independent suppliers, all of which are suppliers of medical device products in the PRC. Based on our review of the quotation comparisons, the prices quoted by Weigao Holding Group are lower than those quoted by independent suppliers. For payment terms, taking into account that not all the quotations from the independent suppliers include payment terms, as an alternative way, we noted that the Company compared the payment terms offered by Weigao Holding Group with the payment terms of purchase transactions conducted between the Group and independent suppliers during the latest quarter immediately before the date of the quotation comparison as reference. Based on the quotation comparisons we have reviewed, the payment terms offered by independent suppliers ranged from payment in advance before delivery to credit period of up to 10 days from the effective dates of the relevant purchase contracts while Weigao Holding Group offered credit period of up to 6 months from the date of acceptance of the goods. Therefore, the prices and the payment terms quoted by Weigao Holding Group in the quotation comparisons we have reviewed are more favourable than those offered by independent suppliers.

Based on the above, we are of the view that the prices and payment terms of the Products offered by Weigao Holding Group to the Group were generally in line with the pricing policy as stated in the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and are no less favourable than those offered by independent suppliers.

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Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement)

| | |
|------------------------|--|
| Date of agreement: | 16 November 2021 (as supplemented by supplemental agreement dated 30 August 2023) |
| Parties: | (1) the Company; and (2) Logistic Company |
| Duration: | Initially from 1 January 2022 to 31 December 2023, and is currently proposed to extend to 31 December 2025 according to the Supplemental Logistic Support Services Framework Agreement |
| 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 not more than 3% of the ultimate price paid by customers (such as hospitals) as logistic service fees. Logistic Company Group should settle the remaining at least 97% of the ultimate price paid by customers (" Settlement Amount ") 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 Supplemental 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 Supplemental Logistic Support Services Framework Agreement are on normal commercial terms |

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Payment terms: Logistic Company Group should pay the Settlement Amount to the Group within 30 days from the date of receipt of the payment from the customers. The payment terms for the logistic services shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable than those given to independent third parties by Logistic Company Group

The Group negotiates and agrees the pricing of medical consumables and devices products directly with customers (such as hospitals) and nominate logistic operators (including Weigao Holding Group) to deliver the products. Logistic operators collect the payment from the customers on behalf of the Group and the logistic operators settle the payment received from the customers with the Group on a back-to-back basis, and should be within 30 days from the date of receipt of the payment from the customers. 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 customers. Pursuant to the Supplemental Logistic Support Services Framework Agreement, the logistic service fee charged by Logistic Company Group represents not more than 3% of the total amount paid by customers. The logistic service fee of not more than 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 fee charged by Logistic Company with the fees of at least two independent suppliers at the time of entering into the Supplemental Logistic Support Services Framework Agreement to make sure the fee offered by Logistic Company is no less favourable than market. The Company will also compare the market prices and payment terms to the pricings and payment terms of the Logistic Services offered by Logistic Company Group on a half-yearly basis. In the event that the pricings and payment terms of the Logistic Services offered by Logistic Company Group are found to be less favourable, the Company will timely negotiate with Logistic Company Group to adjust.

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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 Logistic Company before entering into the Supplemental Logistic Support Services Framework Agreement. We noted that the logistic services fee quoted by 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 during the Review Periods. We have selected five independent customers from the PRC customer list for each of the 2022 Review Period and the 2023 Review Period, respectively, by selecting the top independent customer from each of the top five companies within Logistic Company Group by settlement amounts with the Group during the respective periods. The top independent customers selected are medical device distributors, hospitals and government authorities in the PRC. We then randomly selected one sample sale of the Group's products to the selected independent customers during the relevant Review Periods and obtained and reviewed the relevant sale transaction documents including contracts and invoices. We consider the selection basis of the sample documents to be fair and representative as they give a general idea on the sale of the Group's products to its major customers using the Logistic Services provided by top five companies within Logistic Company Group by settlement amount with the Group during the Review Periods. In respect of the sample transaction documents obtained, we have compared the pricing and payments terms provided by Logistic Company Group against the pricing and payment terms of similar logistic services procured by the Group from two independent logistic service providers in the medical device industry during the same periods. Based on our comparison, we noted that the prices offered by Logistic Company Group to the Group in the samples obtained were lower than those offered by independent logistic services providers. For payment terms, Logistic Company Group settled the amount within 30 days from the date of receipt of the payment from the customers while independent logistic services providers settled the amount within 60 days to 180 days from the date of receipt of the payment from the customers. Therefore, the prices and payments terms offered by Logistic Company Group were comparable and no less favourable than those offered by independent logistic service providers and were in line with the pricing policy and payment terms as stated in the Supplemental Logistic Support Services Framework Agreement.

Based on the above, we are of the view that the terms of the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) are fair and reasonable and are on normal commercial terms.

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5. 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 2023; (ii) the historical transaction amounts for the two years ended 31 December 2022 and the six months ended 30 June 2023; (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 Weigao Holding Group for the two years ending 31 December 2025:

| | For the year ended/ending 31 December | | | | |
|---------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> | <i>Approximately RMB million</i> |
| Historical/Existing annual caps | 1,400.0 | 1,300.0 | 1,500.0 | N/A | N/A |
| Historical transaction amounts | 1,031.8 | 1,249.9 | 738.1 (Up to 30 June 2023) | N/A | N/A |
| Utilisation rate for the year | 73.7% | 96.1% | 49.2% (Up to 30 June 2023) | N/A | N/A |
| Proposed Purchase Caps | N/A | N/A | N/A | 1,500.0 | 1,500.0 |

As illustrated above, the value of Products procured by the Group from Weigao Holding Group increased from approximately RMB1,031.8 million for the year ended 31 December 2021 to approximately RMB1,249.9 million for the year ended 31 December 2022. As advised by the Management, the actual transaction amount for the six months ended 30 June 2023 of approximately RMB738.1 million represented a growth of approximately 14.3% from approximately RMB646.0 million for the six months ended 30 June 2022.

As advised by the Management, they foresee that the Company will continue to procure Products from 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 2025 for the transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement).

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After considering the historical value of Products procured from 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 2025 for the transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement).

(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 RMB4,634.5 billion in 2016 to approximately RMB7,684.5 billion in 2021, representing a compound annual growth rate (“CAGR”) of approximately 10.6% during the period. In terms of nominal gross domestic product (“GDP”), the total expenditure on health of the PRC grew from approximately 6.2% of nominal GDP in 2016 to approximately 6.7% in 2021. 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: Rising to the Pandemic’s Challenges”, a report published by the World Health Organization in December 2022, the world spent approximately US\$9.0 trillion on health in 2020, representing about 10.8% of global GDP, indicating that the PRC still has room for further increment in health related expenditure.

Demand for medical device product is also affected by demographic structure. According to the National Bureau of Statistics of China, the population of elderly people (aged 65 and above) in the PRC increased from approximately 127.8 million in 2012 (accounting for approximately 9.4% of the then total population of the PRC) to 200.6 million in 2021 (accounting for approximately 14.2% of the then total population of the PRC), representing a CAGR of approximately 5.14% during the relevant period. The degree of population ageing in the PRC is already at the upper-middle level in the world. With the development of medical security system and the population ageing trend, demand for medical services and device in the PRC is expected to grow continuously.

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According to Roland Berger International Management Consulting Co. Ltd., the market size of medical devices in the PRC increased from approximately RMB310 billion in 2015 to approximately RMB840 billion in 2021, representing a CAGR of approximately 18.1% during the relevant period. With the advent of an ageing society, more and more geriatric diseases have been paid attention to. At present, cancer and heart disease are the top two fatal factors in the PRC, and the prevalence rate increases rapidly with age. These diseases are closely related to the field of medical devices. Ageing has led to an increase in the demand for medical care, drugs and devices, which has become a driver for the rapid growth of the medical device industry.

In recent years, the medical device market in the PRC has the trend of domestic substitution. Since 2013, in order to support the development of domestic medical devices, the State has issued more than 20 policy documents to encourage and support the development of medical device industry, which provide opportunities for domestic manufacturers to enter the medical device market and further accelerate the trend of domestic substitution of medical devices. In addition, 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. 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, the State has continuously issued new guidance and procurement documents to reform the medical system, and further expanded the scope of procurement measures. With the enhancement of volume-based procurement measures and the increasing numbers of domestic medical device manufacturers, it is expected that competition among medical device manufacturers will be fiercer, which in turn will impose downward pressure on the product pricing in general.

Based on the above, it is expected that the demand for medical devices in the PRC will continue to grow while the overall pricing of medical devices may suffer downward pressure to certain extent.

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Business development of the Group

As disclosed in 2023 Interim Results, the financial performance of the Group for the six months ended 30 June 2023 was temporarily adversely affected, which was mainly attributable to (i) the Company adopted a flexible pricing policy to collaborate with core service providers to further expand the market during the implementation of volume-based procurement of orthopedic products, hence, both the revenue and net profit of the orthopedic segment faced higher fluctuation during the policy transformation process; (ii) although the sales volume of general consumables and pharmaceutical packaging products increased significantly, however, due to the impact of price and product structure, the growth in revenue was weaker than sales volume; and (iii) the rapid withdrawal of epidemic prevention-related products from the market had affected the overall performance growth. However, according to the 2023 Interim Results, the volume-based procurement policies present enormous opportunities for development although they have presented some challenges to the Group in the short term.

In the clinical care segment, the volume-based procurement of different products by various provinces will continue to move forward. Leveraging its prolific product portfolio and extensive market coverage, the Company boasted strong capabilities to counter risks. Through various means such as product upgrading and iteration, sound cost control and mass market expansion, the Company seized opportunities to expand its market share and enhanced its competitiveness in the industry.

The digitalised clinical care products launched by the Group have enhanced the regulation and standardisation of clinical care and alleviated the magnitude of work of medical staff and reduced staff costs. Such products are widely commended and welcomed by hospitals and medical personnel. The Company believes that digitalised clinical care products hold immense market prospects and its performance contributions will be achieved one after another.

In the orthopedic segment, facing the continuous deepening of policy impact and the new stage of industry reshaping, the Group grasped the opportunity of reform and continued to facilitate sales model transformation. The terminal service capabilities of the Group improved significantly and customer coverage continued to expand. Integrating with the market and technology development trend as well as clinical feedback, the Group continued to explore and develop new materials, new horizons and new technologies, so as to gradually improve the upstream and downstream orthopedics industrial layout.

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In the pharmaceutical packaging business, the market position has been further reinforced. Customer loyalty was strengthened by continuously increasing production capacity to enhance its ability to serve downstream pharmaceutical manufacturers. The Group also grasped the opportunities from downstream enterprise products, business layout and product upgrading to expand sales. In addition, the Group continued to optimise production and supply chain management to reduce costs and adapt to the market environment better.

In the interventional segment, the Group recorded strong revenue growth in the first half year. With the continuous deployment of new products and their rapid introduction to the market, the Group pushed the revenue growth faster.

During the six months ended 30 June 2023, although the Group's operating results fluctuated slightly, the management is glad to see strong sales growth in all major products, rapid growth in the Group's market share and significant improvement in industry influence. Amid various uncertainties in the macro-environment and international landscape, the management still remains fully confident about the future sustainable development and growth of the Company in the long term.

The management believes that on the back of its strategic presence in a wide range of business sectors and high-quality products, an operational strategy underpinned by persistent market adaptation and a future-oriented approach and initiatives that motivate employee creativity, the Group will continue to maintain and strengthen its leading position in the PRC market.

In respect of customer coverage, the Group continued to expand its customer base. The Group had a PRC customer base of 9,735 in aggregate and an overseas customer base of 7,267 customers in aggregate as at 29 August 2023, as compared to a PRC customer base of 9,103 in aggregate and an overseas customer base of 7,354 customers in aggregate as at 27 April 2023.

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 2023 Interim Results, the Group has invested approximately RMB322.0 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group also planned to invest approximately RMB200.0 million in the new production lines of which are already underway and are expected to be successively put in operation by the end of 2025. Furthermore, construction is underway for the planned investment of approximately RMB198.0 million for upgrading and reconfiguration of the single-use consumables and orthopaedic 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 development 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 scale of the Group will continue to grow.

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

The Proposed Purchase Caps for each of the two years ending 31 December 2024 and 2025 is RMB1,500 million. The Proposed Purchase Caps are determined with reference to factors including, (i) the historical transaction amount of approximately RMB1,249.9 million and RMB738.1 million under the Purchase Framework Agreement for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively; (ii) the anticipated demand for Products provided by Weigao Holding Group for the years ending 31 December 2024 and 2025 after taking into account the nature of Products, the market development trend as well as the expected business development of the Group; and (iii) the pricing of the Products to be provided by Weigao Holding Group.

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 2024 is estimated with reference to the sum of the estimated transaction amounts of each major category of Products procured by the Group from Weigao Holding Group for the year ending 31 December 2024. 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 (i) the historical actual transaction amount for the purchases by the Group from the Weigao Holding Group; (ii) the anticipated demand for the relevant Products for the year ending 31 December 2024 principally after taking into account the nature of Products, the market development trend as well as the expected business development of the Group; and (iii) the pricing of the Products to be provided by Weigao Holding Group. The Management estimates the Proposed Purchase Cap for the year ending 31 December 2025 to be similar to the Proposed Purchase Cap for the year ending 31 December 2024.

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Although there was a growth trend in the actual transaction amount for the year ended 31 December 2022 and the six months ended 30 June 2023, as advised by the Management, it is expected that the transaction amount for each of the two years ending 31 December 2024 and 2025 will be more stabilized. It is expected that demand for infection protection and disease control protection products from Weigao Holdings Group will be gradually decreased principally due to (i) COVID-19 being largely under control in the first half of 2023; and (ii) the acquisition of Weihai Weigao Medical Materials Company Limited, a former wholly-owned subsidiary of Weigao Holding principally engaged in the research and development, manufacturing and sales of infection protection products and disease control production products, by the Group in the second half of 2022. However, the expected decrease in demand for infection protection and disease control protection products is expected to be offset by the expected increase in demand for other medical products such as high-end medical device products. As advised by the Management, Weigao Holding has entered into strategic agreements with two renowned companies in the medical device industry for the co-operation in developing, manufacturing and selling high-end medical device products. In respect of such new high-end medical device products, Weigao Holding Group has appointed the Group as its sales agent in various regions in the PRC. Therefore, it is expected that there will be increasing demand for such new high-end medical device products by the Group in the next two years. As a result of the foregoing, it is anticipated that the Proposed Annual Caps for each of the years ending 31 December 2024 and 2025 to be the same as the annual cap for the year ending 31 December 2023.

We have reviewed the estimated purchase breakdown by major categories of Products for the year ending 31 December 2024 and interviewed with the responsible business representative of the Group who prepared for the estimated purchase amounts. We noted that the basis of estimating the transaction amounts is generally in line with the factors mentioned by the Management.

Based on the above, we are of the view that the Proposed Purchase Caps were estimated with due care by the Company and have taken into account factors from various aspects including business development of the Group, market development trend etc.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(d) Our view

The actual transaction amount for the six months ended 30 June 2022 was approximately RMB646.0 million, representing approximately 51.7% (“**Purchase Estimation Ratio**”) of the actual transaction amount for the year ended 31 December 2022. By applying the Purchase Estimation Ratio to the actual transaction amount for the six months ended 30 June 2023, the estimated annual transaction amount for the year ending 31 December 2023 would be approximately RMB1,428.0 million (“**2023 Estimated Annual Purchase Amount**”), which is close to the Proposed Purchase Cap for the years ending 31 December 2024 and 2025 as well as the existing annual cap for the year ending 31 December 2023.

Taking into account (i) the historical actual transaction amount for the year ended 31 December 2022 and the six months ended 30 June 2023; (ii) the expected market growth and business development of the Group; (iii) the basis of determination of the Proposed Purchase Caps as advised by the Management; and (iv) the Proposed Purchase Caps for the years ending 31 December 2024 and 2025 is close to the 2023 Estimated Annual Purchase Amount as well as the existing annual cap for the year ending 31 December 2023, we are of the view that the Proposed Purchase Caps are fair and reasonable.

6.2 Proposed Annual Caps under the Supplemental Logistic Support Services Framework Agreement

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

The following table sets out (i) the historical or existing annual caps for each of the two years ending 31 December 2023; (ii) the actual amounts settled by Logistic Company Group for the Group’s sales to customers through Logistic Company Group (i.e. the net amount after deducting not more than 3% logistic service fee from the gross amount paid by customers) for the two years ended 31 December 2022 and the six months ended 30 June 2023; (iii) the corresponding logistic service fee charged by Logistic Company Group for the two years ended 31 December 2022 and the six months ended 30 June 2023; (iv) the utilisation rates of the historical or existing annual caps; and (v) 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 2025:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| | For the year ended/ending 31 December | | | | |
|---|---------------------------------------|------------------------------|---------------------------------|------------------------------|------------------------------|
| | 2021 | 2022 | 2023 | 2024 | 2025 |
| | Approximately RMB million | Approximately RMB million | Approximately RMB million | Approximately RMB million | Approximately RMB million |
| Historical/Existing annual caps | | | | | |
| Total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group | N/A | 5,000.0 | 6,000.0 | N/A | N/A |
| Logistic service fee | N/A | 155.0 | 186.0 | N/A | N/A |
| Actual transaction amount | | | | | |
| Total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group | 2,156.0 | 3,346.9 | 1,844.9 (Up to 30 June 2023) | N/A | N/A |
| Logistic service fee | 70.1 | 78.2 | 54.4 | N/A | N/A |
| Utilization rate | | | | | |
| Total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group | N/A | 66.9% | 30.7% (Up to 30 June 2023) | N/A | N/A |
| Logistic service fee | | 50.5% | 29.3% (Up to 30 June 2023) | N/A | N/A |
| Proposed Logistic Caps | | | | | |
| Total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group ("Proposed Settlement Caps") | N/A | N/A | N/A | 4,400.0 | 5,200.0 |
| Logistic service fee ("Proposed Logistic Service Fee Caps") | N/A | N/A | N/A | 132.0 | 156.0 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated above, the total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group increased from approximately RMB2,156.0 million for the year ended 31 December 2021 to approximately RMB3,346.9 million for the year ended 31 December 2022, representing an annual growth of approximately 55.2%. As advised by the Management, the total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group increased from approximately RMB1,668.0 million for the six months ended 30 June 2022 to approximately RMB1,844.9 million for the six months ended 30 June 2023, representing a growth of approximately 10.6% during the period.

As advised by the Management, taking into account the continuous 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 Supplemental Logistic Support Services Framework Agreement with Logistic Company.

After considering the historical business dealings with 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 Supplemental 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.

(c) Basis of determination of the Proposed Logistic Caps

The Proposed Logistic Caps are determined with reference to factors including, (i) the historical amounts of approximately RMB3,346.9 million and RMB1,844.9 million settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group for the year ended 31 December 2022 and the six months ended 30 June 2023, respectively; (ii) the expected sales of products to customers using the Logistic Services provided by Logistic Company Group during the next two years; (iii) the prospects and overview of the PRC medical device industry; (iv) the expected business development of the Group; (v) the number of PRC customers which the Group has sold or expects to sell the products to using the Logistic Services provided by Logistic Company Group; and (vi) the pricing of the Logistic Services to be provided by Logistic Company Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 2024 is the sum of the estimated amounts settled by individual companies within Logistic Company Group for the Group's sales of products to customers through Logistic Company Group. We have discussed with the Management and understand that the estimated settlement amounts with individual companies within Logistic Company Group are in turn the sum of the estimated settlement amounts in respect of sales to individual independent customers estimated by responsible sales representatives of the Group. In particular, as advised by the Management, the responsible sales representatives have estimated the settlement amounts in respect of sales to individual independent customers with reference to the (i) historical sales of products to the relevant independent customers through Logistic Company Group; (ii) the prevailing pricing of the products; and (iii) the latest communication between the sales representatives and the customers in respect of the anticipated demand for the products 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 development. We have reviewed the estimated settlement amounts breakdown by individual companies within Logistic Company Group and selected five individual companies, which are the top five individual companies by estimated settlement amounts for the year ending 31 December 2025. They are concurrently the top four individual companies by estimated settlement amounts for the year ending 31 December 2024 and the individual company with the highest growth in estimated settlement amounts for the year ending 31 December 2024 as compared with the estimated settlement amounts for the year ending 31 December 2023. We consider the selection basis of the individual companies to be fair and representative as their total estimated settlement amounts account for over 30% of the Proposed Settlement Caps for each of the years ending 31 December 2024 and 2025, which in turn reflect the general basis of estimating the settlement amounts with individual logistic companies with relatively material transaction amounts or growth. We then interviewed with the sales representatives of the Group for the top independent customer by estimated settlement amount for each of the five companies within the Logistic Company Group selected. The top independent customers selected are public hospitals in the PRC. Based on the interviews, we noted that the basis of estimating the settlement amounts with individual independent customers is generally in line with the factors mentioned by the Management. Based on the above, we are of the view that the Proposed Logistic Caps were estimated with due care by the Company and have taken into account factors from various aspects including business development of the Group, industry and market development, historical and expected business relationship with its customers etc.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We noted that the Proposed Settlement Caps for the years ending 31 December 2024 and 2025 of RMB4,400 million and RMB5,200 million, respectively, are both lower than the existing annual cap for the year ending 31 December 2023 of RMB6,000 million. As advised by the Management, the total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group for the six months ended 30 June 2023 of approximately RMB1,844.9 million was approximately 1.1 times of the amount for the six months ended 30 June 2022, which was relatively stable. Besides, the utilization rate of the annual cap for the total amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group for the year ended 31 December 2022 and the six months ended 30 June 2023 was lower than expected. The relatively slow growth and low utilization rate was mainly attributable to (i) the severe pressure on product pricing experienced by the Group in recent years despite the increasing sales of products to hospitals in terms of volume. As stated in the Company's announcement dated 9 August 2023, there is a price reduction per product sold of certain medical devices and consumables mainly due to the impact of both national or regional volume-based procurement policy; and (2) the slower than expected timetable for the Logistic Company Group being the registered logistic operator of hospitals. As advised by the Management, Logistic Company Group needs to be registered with the hospitals before the Group can sell its products to the relevant hospitals through Logistic Company Group. However, due to the severe outbreak of COVID-19 in 2022, the registration progress has been slower than expected. Besides, there has been an increasing trend for hospitals to limit the number of registered logistic operators in recent years, which has created a barrier for Logistic Company Group to broaden its hospital coverage. There have been cases that the Group needs to work with other independent logistic operators due to the fact that Logistic Company Group is not one of the registered logistic operators of the relevant hospitals. Taking into account the above, the Management has taken a more prudent approach in estimating the Proposed Settlement Caps for the two years ending 31 December 2025 to be lower than the annual cap for the year ending 31 December 2023.

As further advised by the Management, in view of the fact that COVID-19 has been largely under control since the first half of 2023, it is expected that Logistic Company Group will gradually pick up its pace in the registration with hospitals. Despite the pressure on product pricing will continue to affect the Group, it is expected that Group's sales to customers through Logistic Company Group will still have a growth of not more than 20% for each of the two years ending 31 December 2024 and 2025 as a result of the volume growth contributing by the expected increase in hospital coverage by Logistic Company Group as well as the continuous upgrade and broadening of product offerings by the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As the logistic service charge is not more than 3% of the total amount paid by the customers while the amount settled by Logistic Company Group is at least 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.

(d) Our view

The actual amount settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group for the six months ended 30 June 2022 was approximately RMB1,668.0 million, representing approximately 49.8% ("**Logistic Estimation Ratio**") of the actual settlement amount for the year ended 31 December 2022. By applying the Logistic Estimation Ratio to the actual settlement amount for the six months ended 30 June 2023, the estimated annual settlement amount for the year ending 31 December 2023 would be approximately RMB3,701.9 million ("**2023 Estimated Annual Settlement Amount**"). We noted that both the growth rate between the Proposed Settlement Cap for the year ending 31 December 2024 and the 2023 Estimated Annual Settlement Amount of approximately 18.9% and the growth rate between the Proposed Settlement Caps for the years ending 31 December 2024 and 2025 of approximately 18.2% are (i) lower than the growth rate of approximately 55.2% between the total settlement amounts for the years ended 31 December 2021 and 2022 ("**2021 & 2022 Annual Settlement Growth Rate**"); and (ii) not materially deviated from the growth rate of approximately 10.6% between the total settlement amounts for the six months ended 30 June 2022 and 2023 ("**2022 & 2023 Six Months Settlement Growth Rate**"). As the logistic service fee is derived from a maximum of 3% of total amount paid by the hospitals, the growth rates of the Proposed Logistic Service Fee Caps are the same as the Proposed Settlement Caps.

Taking into account (i) the historical actual amount settled by Logistic Company Group for sales to customers through Logistic Company Group for the year ended 31 December 2022 and the six months ended 30 June 2023; (ii) the expected market and business development of the Group; (iii) the basis of determination of the Proposed Logistic Caps as advised by the Management; (iv) both the estimated annual growth rate between the Proposed Settlement Cap for the year ending 31 December 2024 and the 2023 Estimated Annual Settlement Amount and the annual growth rate between the Proposed Settlement Caps for the years ending 31 December 2024 and 2025 are lower than the 2021 & 2022 Annual Settlement Growth Rate and are not materially deviated from the 2022 & 2023 Six Months Settlement Growth Rate; and (v) 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6. Recommendation

Having considered the above principal factors and reasons, we consider (i) the Continuing Connected Transactions under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental 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 Third EGM to approve the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement (as supplemented by the Supplemental 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 18 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

1. Interests and short positions of the Directors and the chief executive in the share capital and associated corporations of the Company

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. Long Jing | Beneficial Owner | 6,480,000 ⁽¹⁾ | 0.142 |
| Mr. Cong Rinan | Beneficial Owner | 2,200,000 ⁽²⁾ | 0.0481 |
| Mr. Chen Lin | Beneficial Owner | 196,000 ⁽³⁾ | 0.004 |
| Mr. Ni Shili | Beneficial Owner | 2,800,000 ⁽⁴⁾ | 0.061 |

Notes:

(1) Comprises of 480,000 H Shares and 6,000,000 non-listed domestic shares.

(2) Comprises of 200,000 H Shares and 2,000,000 non-listed domestic shares.

- (3) Mr. Chen Lin, a son of Mr. Chen Xue Li, an ultimate de facto controller of Weigao Holding Company Limited is holder of the Company's 196,000 H Shares, representing 0.004% of the issued share capital of the Company.
- (4) Comprises of 400,000 H Shares and 2,400,000 non-listed shares.

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

| Director | Nature of interest (long position) | Number of Shares | Approximate percentage of Shareholding (%) |
|-----------------|---|-----------------------------|---|
| Mr. Chen Lin | Beneficial Owner | 9,760,000 | 0.81 |

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).

2. Interests and short positions of substantial Shareholders and other parties in the Shares and underlying Shares of the Company

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 ^(Note) | 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 subsidiary, Wego International Capital Holding Corporation Limited* (威高國際資本有限公司). Weigao Holding is 89.83% controlled by Weihai Weigao International Medical Investment Holding Company Limited* (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 and 7.4% by Mr Chen Lin.

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.

3. SERVICE 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.

4. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the experts or professional advisers who have given opinion or advice contained in this circular:

| Name | Qualification |
|--|---|
| 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 they respectively appear.

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 2022 (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.

5. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Company were made up.

6. 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 2022, 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.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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 2022, 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.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.weigaogroup.com) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the Supplemental Purchase Framework Agreement;
- (b) the Supplemental Logistic Support Services Framework Agreement;
- (c) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 and 22 of this circular;
- (d) 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 23 to 53 of this circular;
- (e) the written consent as referred to under the paragraph headed “4. Qualification and Consent of Expert” in this section; and
- (f) this circular.

9. MISCELLANEOUS

In the event of inconsistency, the English language of this circular shall prevail over the Chinese language text.

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING

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 THE THIRD EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that a third extraordinary general meeting (the “**Third EGM**”) of the shareholders of Shandong Weigao Group Medical Polymer Company Limited (the “**Company**”) will be held at 2/F, 1 Weigao Road, Torch Hi-Tech Science Park, Weihai, Shandong Province, PRC, at 10:00 a.m. on Friday, 13 October 2023 or immediately following the conclusion of the previous extraordinary general meeting, 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 supplemented 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 (as supplemented by the Supplemental 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 (as supplemented by the Supplemental 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

Weihai, Shandong, the PRC, 18 September 2023

NOTICE OF THE THIRD EXTRAORDINARY GENERAL MEETING

Registered Office:

1 Weigao Road
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 Third EGM is entitled to appoint one proxy (or more) in writing to attend the Third 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 Third EGM. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the Third 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 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong not less than 24 hours before the time appointed for holding Third 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 Third 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 Third EGM, the register of members will be closed from Tuesday, 10 October 2023 to Friday, 13 October 2023 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending at the Third EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar at 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 9 October 2023.
- (5) The holders of the H Shares who intend to attend the Third 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 17/F, Far East Finance Center, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Thursday, 12 October 2023 by hand, by post, by telegraph or by fax to (852) 2528 3158.
- (6) The Third EGM is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own traveling and accommodation expenses.
- (7) All votes of the Shareholders at the general meetings must be taken by poll.

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- (8) Any enquiries about this notice and the Third EGM shall be sent for the attention to Ms. Yan Yucai at 1 Weigao Road, 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) 2838 1490).
- (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*)
Mr. Lu Junqiang
Mr. Ni Shili

Non-executive Directors

Mr. Tang Zhengpeng (*Vice Chairman*)
Mr. Chen Lin

Independent non-executive Directors

Mr. Li Guohui
Mrs. Meng Hong
Mr. Li Qiang

* *for identification purposes only*