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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)

**(1) INCREASING THE ANNUAL CAPS OF EXISTING
CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Financial adviser to Shandong Weigao Group Medical Polymer Company Limited

BALLAS
C A P I T A L

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

 鎧盛

Halcyon Capital 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 4 to 10 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 11 to 12 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 13 to 27 of this circular.

A notice convening the EGM to be held at 2/F, 18 Xingshan Road, Weihai Torch Hi-Tech Science Park, Shandong, PRC, at 9:00 a.m. on Thursday, 3 December 2020 is set out on pages 33 to 35 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's H Share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

16 November 2020

* 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:

“Announcement”	the announcement of the Company dated 28 October 2020 in relation to the Supplemental Purchase 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 People’s Republic of China with limited liability and the Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, among others, the Supplemental Purchase Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity

DEFINITIONS

“Independent Shareholders”	the Shareholders, other than the Weigao Holding, Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua, Mr. Wang Yi and their respective associates (as defined in the Listing Rules)
“Latest Practicable Date”	11 November 2020, 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
“PRC”	the People’s Republic of China and for the purpose of this circular excluding Taiwan, Hong Kong and the Macau Special Administrative Region
“Proposed Annual Caps”	the proposed annual caps for the years ending 31 December 2020 and 2021 to the Purchase Framework Agreement under the Supplemental Purchase Framework Agreement
“Purchase Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding (as amended by the supplemental agreements dated 27 September 2019, 18 December 2019 and 26 August 2020)
“RMB”	Renminbi, the lawful currency 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)”	H share(s) of RMB0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Purchase Framework Agreement”	the agreement dated 28 October 2020 entered into between parties to the Purchase Framework Agreement to amend the 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 46.43% of the issued share capital of the Company as at the Latest Practicable Date
“Weigao Holding Group”	Weigao Holding and its subsidiaries (other than the Group)
“%”	per cent

* 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. Zhang Hua Wei

Mr. Wang Yi

Mr. Long Jing

Mr. Gong Jian Bo

Non-executive Director:

Mrs. Zhou Shu Hua

Independent non-executive Directors:

Mr. Lo Wai Hung

Mrs. Fu Ming Zhong

Mrs. Wang Jin Xia

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

18 Xingshan Road

Weihai Torch Hi-tech Science Park

Weihai

Shandong Province

the PRC

Principal Place of Business in Hong Kong:

29/F, Two Chinachem Central,

26 Des Voeux Road Central,

Hong Kong

16 November 2020

To the Shareholders

Dear Sir or Madam,

**(1) INCREASING THE ANNUAL CAPS OF EXISTING
CONTINUING CONNECTED TRANSACTIONS
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in relation to the Supplemental Purchase 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 Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement), the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, and notice of the EGM at which an ordinary resolution will be proposed to consider and, if though fit, approve the Supplemental Purchase Framework Agreement.

THE SUPPLEMENTAL PURCHASE FRAMEWORK AGREEMENT

Under the Purchase Framework Agreement, the Company agrees to purchase or procure its subsidiaries to purchase, and the Weigao Holding Group agrees to sell or procure its subsidiaries to sell medical based products, including and not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery on a non-exclusive basis.

On 28 October 2020, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to revise the annual caps for the year ending 31 December 2020 and 2021 from RMB800 million and RMB950 million to RMB1,200 million and RMB1,400 million, respectively.

Except for the revision of the existing annual cap for the year ending 31 December 2020 and 2021, all other terms of the Purchase Framework Agreement remain unchanged.

INTERNAL CONTROL

The Group shall obtain price quotations from at least two independent suppliers on products needed from the Weigao Holding Group and take reference on the prevailing market prices to ensure the terms (including pricing and payment) contemplated under the Purchase Framework Agreement are on normal commercial terms.

In addition, to ensure the conformity with the pricing policy in relation to the continuing connected transactions contemplated under the Purchase Framework Agreement, the Group has adopted and would continue to take the following review procedures and approval process against the following assessment criteria:

- (i) prior to entering into any purchase agreements and on a quarterly basis, the Group shall procure to obtain quotations from at least two independent suppliers on products needed from the Weigao Holding Group;
- (ii) with reference to the above comparison, the authorised staff shall ensure that the terms (including pricing and payment terms) of the products offered by the Weigao Holding Group will be no less favourable than those offered by other independent suppliers. The comparison will be submitted to accounting manager for review; and

LETTER FROM THE BOARD

- (iii) after review by accounting manager, if assessed to be following the terms set out in the Purchase Framework Agreement, will be further submitted to the Company's chief financial officer for approval.

The Directors consider that the above procedures can ensure the continuing connected transactions contemplated under the Purchase Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

REASONS FOR ENTERING INTO THE SUPPLEMENTAL PURCHASE FRAMEWORK AGREEMENT

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the ten months ended 31 October 2020.

	For the year ended 31 December 2019	For the ten months ended 31 October 2020
	<i>approximately RMB</i>	<i>approximately RMB</i>
Actual transaction amount	402.7 million	685.3 million

On 14 October 2020, the annual caps of RMB800 million and RMB950 million for the year ending 31 December 2020 and 2021 respectively were approved by the Independent Shareholders.

Since early October 2020, the Group has been receiving increasing number of orders for facemasks, protective equipment, surgical gowns and disinfectants (the “**Pandemic Prevention Supplies**”) from various medical institutions. The Directors believe it is due to the “Notice on the Issuance of the Medical Treatment Plan for the COVID-19 Pandemic in Autumn and Winter”* (《關於印發應對秋冬季新冠肺炎疫情醫療救治工作方案的通知》)(the “**Notice**”) issued by the Medical Treatment Group of the Joint Prevention and Control Mechanism of the COVID-19 Pandemic of the State Council* (國務院應對新型冠狀病毒肺炎疫情聯防聯控機制(醫療救治組)) in late July 2020 that set out rules and guidelines to medical institutions for preventing the spread of COVID-19 pandemic in the coming autumn and winter in 2020 and 2021. In the Notice, it is stated that all relevant medical institutions should in principle maintain an inventory level of various medical materials (including but not limited to protective equipment, medical consumables and disinfectants) which could satisfy the demand of 30 days of full capacity operation. In view of the additional demand, the original annual caps of RMB800 million and RMB950 million for the year ending 31 December 2020 and 2021 respectively are expected to be insufficient.

LETTER FROM THE BOARD

The table below sets out the original annual caps and the Proposed Annual Caps under the Purchase Framework Agreement and the Supplemental Purchase Framework Agreement, respectively:

	Year ending	
	31 December 2020	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Original annual caps	800 million	950 million
Proposed Annual Caps	1,200 million	1,400 million

The Proposed Annual Caps were determined with reference to the original annual caps and the expected additional demand for the Pandemic Prevention Supplies from various medical institutions of approximately RMB400 million and RMB450 million for the year ending 31 December 2020 and 2021, respectively, as a result of the Notice as set out above. Since the Group commenced to source the Pandemic Prevention Supplies from the Weigao Holding Group, the purchase amount of the Pandemic Prevention Supplies by the Group from the Weigao Holding Group was approximately RMB80.0 million for the ten months ended 31 October 2020. It is expected that the total purchase amount of the Pandemic Prevention Supplies will increase to approximately RMB400.0 million for the year ending 31 December 2020 and further increase to approximately RMB450.0 million for the year ending 31 December 2021 based on (i) the purchase amount of the Pandemic Prevention Supplies; (ii) the measures as set out in the Notice; and (iii) the Group's understanding of the sales demand based on indications from the customers. For details of the basis of determination and calculation of the original annual caps, please refer to the letter from the Board of the circular of the Company dated 22 September 2020.

As at the Latest Practicable Date, none of the annual caps under the Purchase Framework Agreement have been exceeded.

The Company will ensure that the existing annual caps under the Purchase Framework Agreement will not be exceeded before obtaining the Independent Shareholders' approval as required under Chapter 14A of the Listing Rules.

INFORMATION REGARDING THE GROUP AND WEIGAO HOLDING

The Group

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

LETTER FROM THE BOARD

Weigao Holding

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

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Weigao Holding is the controlling shareholder of the Company and holds approximately 46.43% of the issued share capital of the Company. Accordingly, Weigao Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Purchase Framework Agreement constitute continuing connected transactions of the Company.

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

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

GENERAL

Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Long Jing and Mrs. Zhou Shu Hua who are also directors of Weigao Holding, have abstained from voting in the relevant resolutions of the board meeting of the Company.

LETTER FROM THE BOARD

As at the Latest Practicable Date, the following shareholders, who together control the exercise of 47.89% voting rights in the general meeting of the Company are required to abstain from voting on the relevant resolutions to be proposed at the EGM to approve the Supplemental Purchase Framework Agreement in view of their material interest in the Supplemental Purchase Framework Agreement:

Shareholders	Shareholding as at the Latest Practicable Date	
	Number of Shares	Approximate %
Weigao Holding	2,099,755,676	46.43%
Mr. Zhang Hua Wei ^(Note)	32,400,000	0.72%
Mr. Wang Yi ^(Note)	18,392,000	0.41%
Mrs. Zhou Shu Hua ^(Note)	<u>15,300,000</u>	<u>0.34%</u>
Total	<u>2,165,847,676</u>	<u>47.89%</u>

Note: Each of Mr. Zhang Hua Wei, Mr. Wang Yi and Mrs. Zhou Shu Hua is a director of Weigao Holding.

Except as disclosed above, to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, no other Shareholder is required to abstain from voting on the resolution to be proposed at the EGM in relation to the Supplemental Purchase Framework Agreement.

EGM

It is proposed that the EGM to be convened and held at 2/F, 18 Xingshan Road, Weihai Torch Hi-Tech Science Park, Shandong, PRC, at 9:00 a.m. on Thursday, 3 December 2020 for the purpose of considering, and if thought fit, approve the Supplemental Purchase Framework Agreement. A notice of the EGM is set out on pages 33 to 35 of this circular.

RECOMMENDATION

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

LETTER FROM THE BOARD

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 appendices to this circular.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Zhang Hua Wei
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)

16 November 2020

To the Independent Shareholders

Dear Sir or Madam,

INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 16 November 2020 (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 amended by the Supplemental Purchase Framework Agreement) and the transactions contemplated thereunder, and the Proposed Annual Caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM.

The Independent Financial Adviser has been appointed by the Company to advise us and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 13 to 27 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 10 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 13 to 27 of the Circular and to the appendices of the Circular.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,

For and on behalf of

The Independent Board Committee of

Shandong Weigao Group Medical Polymer Company Limited

Mr. Lo Wai Hung

Mrs. Fu Ming Zhong

Mrs. Wang Jin Xia

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of inclusion in this circular.



HALCYON CAPITAL LIMITED

11TH FLOOR

8 WYNDHAM STREET

CENTRAL

HONG KONG

16 November 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Annual Caps of the continuing connected transactions contemplated under the Purchase Framework Agreement (the “**Continuing Connected Transactions**”), as amended by the Supplemental Purchase Framework Agreement. Details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 16 November 2020 (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.

As stated in the Board Letter, in view of the additional demand for facemasks, protective equipment, surgical gowns and disinfectants (the “**Pandemic Prevention Supplies**”) from various medical institutions, the original annual caps for the years ending 31 December 2020 and 2021 under the Purchase Framework Agreement are expected to be insufficient. Therefore, on 28 October 2020, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to revise the annual caps for the years ending 31 December 2020 and 2021 from RMB800 million and RMB950 million to RMB1,200 million and RMB1,400 million, respectively. Except for the revision of the original annual caps for the years ending 31 December 2020 and 2021, all other terms of the Purchase Framework Agreement remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Weigao Holding was interested in approximately 46.43% of the total issued share capital of the Company and is a controlling Shareholder within the meaning of the Listing Rules. Accordingly, Weigao Holding is a connected person of the Company and the Continuing Connected Transactions 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 the Proposed Annual Caps exceeds 5%, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under the Listing Rules and are subject to the requirements of reporting, announcement, Independent Shareholders' approval and annual review under the Listing Rules.

Pursuant to Rule 14A.36 of the Listing Rules, any Shareholder with a material interest in the transaction and his/her/its associate(s) is (are) required to abstain from voting on the relevant resolution at the EGM. Accordingly, Weigao Holding, Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua, Mr. Wang Yi and their respective associates are required to abstain from voting on the resolution to approve the Supplemental Purchase Framework Agreement and the Proposed Annual Caps at the EGM.

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

Except for being appointed as the independent financial adviser to the then independent board committee and independent shareholders of the Company for two previous engagements (details of which have been set out in the letters from Halcyon Capital Limited in the circulars of the Company dated 27 September 2019 and 22 September 2020) and an upcoming potential independent financial advisory transaction, we have no other relationships with or interests in the Company and any other parties in the past two years that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid to us in connection with our appointments, no arrangements exist whereby we have received or will receive any fees or benefits from the Company or any party to the transactions, and therefore we consider such relationship would not affect our independence. We are hence 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have relied on the information, financial information and facts included in the Circular and supplied to us, and the representations expressed by the Directors and/or management of the Group, and have assumed that all such information, financial information, facts and any representations made to us, or referred to in the Circular, for which they are fully responsible, in all material aspects, were true, accurate and complete as at the time they were made and as at the date hereof, have been properly extracted from the relevant underlying accounting records (in the case of financial information) and made after due and careful inquiry by the Directors and/or the management of the Group. The Directors and/or the management of the Group have confirmed that, having made all reasonable enquiries and to the best of their knowledge and belief, all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and representations provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Purchase Framework Agreement, the Supplemental Purchase Framework Agreement, the supplemental agreements to the Purchase Framework Agreement dated 27 September 2019, 18 December 2019 and 26 August 2020, the interim report of the Company for the six months ended 30 June 2020 (the “**2020 Interim Report**”), the annual reports of the Company for the years ended 31 December 2018 and 2019 (respectively as the “**2018 Annual Report**” and “**2019 Annual Report**”) and certain published information from the public domain. We have also discussed with the Directors and/or the management of the Group 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 of the Group nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position, internal control, profitability or prospects of the Group, the Weigao Holding Group and each of their respective associates, and the parties involved in the Continuing Connected Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Information of the Group and the Weigao Holding Group

1.1 Information of the Group

(a) Principal business

With reference to the Board Letter, the Group is a total solution provider in the medical device sector in the PRC and it is principally engaged in the research and development, production and sale of single-use medical devices and the provision of finance leasing and factoring services in the PRC. The Group has a wide range of products, which covers clinical care, wound management, blood management, pharma packaging, medical testing, anesthesia and surgery, orthopaedic products and interventional products.

(b) Financial highlights

Set out below is the summary of key financial information of the Group for each of the six months ended 30 June 2019 and 2020 and the two years ended 31 December 2018 and 2019 as extracted from the 2020 Interim Report and the 2019 Annual Report:

	Year ended 31 December		Six months ended 30 June	
	2019	2018	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	10,364,081	8,808,861	5,091,205	4,943,334
Gross profit	6,505,197	5,389,154	2,941,757	3,136,155
Profit for the year/period attributable to owners of the Company	1,844,883	1,472,935	969,996	937,095

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2019

As illustrated in the table above, revenue of the Group amounted to approximately RMB10,364.1 million for the year ended 31 December 2019, representing an increase of approximately 17.7% as compared to that of approximately RMB8,808.9 million for the last year. According to the 2019 Annual Report, such increase was mainly attributable to the revenue generated from (i) the clinical care business of approximately RMB4,255.7 million, representing an increase of approximately 9.4% over that of the last year as a result of enhanced product mix; (ii) the pharma packaging business of approximately RMB1,281.0 million, representing an increase of approximately 34.1% over that of the last year as a result of the further expansion of the Group's market influence in the segment of pre-pack biopharmaceuticals and broaden customer base; and (iii) the orthopedics business of approximately RMB1,555.6 million, representing an increase of approximately 31.8% over that of the last year as a result of further consolidation of the Group's market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform; and (iv) the interventional business of approximately RMB1,655.6 million, representing an increase of approximately 14.6% over that of the last year. The Group will expand sales in the interventional business by expanding the sales of Argon Medical Devices Holdings, Inc.'s products in the PRC through leveraging resources.

During the year ended 31 December 2019, the gross profit margin of the Group increased to approximately 62.8% from approximately 61.2% for that of the last year, mainly attributable to the effect from change of product structure. Profit attributable to owners of the Company increased from approximately RMB1,472.9 million for the year ended 31 December 2018 to approximately RMB1,844.9 million, representing an increase of approximately 25.3%, mainly as a result of the above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the six months ended 30 June 2020

As illustrated in the table above, revenue of the Group amounted to approximately RMB5,091.2 million for the six months ended 30 June 2020, representing an increase of approximately 3.0% as compared to that of approximately RMB4,943.3 million for that of the last period. According to the 2020 Interim Report, such increase was mainly attributable to the revenue generated from (i) the pharma packaging business of approximately RMB764.5 million, representing an increase of approximately 22.1% over that of the last period as a result of the further expansion of prefilled syringes' market influence in the segment of pre-pack bio-pharmaceuticals, which built a broader customer base; and (ii) the orthopedic business of approximately RMB830.6 million, representing an increase of approximately 21.8% over that of the last period as a result of further consolidating its market position in the spine segment, increased marketing of joint products, further penetration of distribution channels and establishment of a logistic platform. Such increase was partially offset by the decrease in revenue generated from (i) clinic care business by approximately 10.4% from approximately RMB2,077.1 million for the six months ended 30 June 2019 to approximately RMB1,860.6 million for the six months ended 30 June 2020, which was mainly due to the impact of the COVID-19 pandemic; and (ii) the interventional business by approximately 3.7% from RMB813.6 million for the six months ended 30 June 2019 to RMB783.3 million for the six months ended 30 June 2020, which was mainly due to impact of the overseas pandemic.

During the six months ended 30 June 2020, the gross profit margin of the Group decreased to 57.8% from approximately 63.4% for that of the last period, mainly attributable to the change of product mix due to the COVID-19 pandemic. Nevertheless, the profit attributable to owners of the Company increased from approximately RMB937.1 million for the six months ended 30 June 2019 to approximately RMB970.0 million for the six months ended 30 June 2020, representing an increase of approximately 3.5% as a result of the percentage drops in distribution costs, administration expenses, research and development expenses and finance costs during the relevant period being larger than the percentage drop in the Group's gross profit.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the highlight of financial position of the Group as at 30 June 2020 and 31 December 2019 as extracted from the 2020 Interim Report and 2019 Annual Report:

	As at 30 June 2020	As at 31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Non-current assets	13,738,947	13,728,717
Current assets	12,454,779	12,597,021
Current liabilities	3,867,314	4,551,027
Non-current liabilities	4,330,614	4,777,901
NET ASSETS	17,995,798	16,996,810
Equity attributable to owners of the Company	17,227,316	16,185,174
Non-controlling interests	768,482	811,636

1.2 Information of the Weigao Holding Group

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

Given Weigao Holding is the controlling Shareholder which holds 46.43% of the total issued share capital of the Company as at the Latest Practicable Date, Weigao Holding is therefore a connected person of the Company pursuant to the meaning of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. The Supplemental Purchase Framework Agreement

2.1 Reasons for and benefit of entering into the Supplemental Purchase Framework Agreement

As stated in the Board Letter, the Group has been receiving increasing number of orders for the Pandemic Prevention Supplies from various medical institutions since early October 2020. The Directors believe it is due to the “Notice on the Issuance of the Medical Treatment Plan for the COVID-19 Pandemic in Autumn and Winter”* (《關於印發應對秋冬季新冠肺炎疫情醫療救治工作方案的通知》)(the “**Notice**”) issued by the Medical Treatment Group of the Joint Prevention and Control Mechanism of the COVID-19 Pandemic of the State Council* (國務院應對新型冠狀病毒肺炎疫情聯防聯控機制(醫療救治組)) in late July 2020 that set out rules and guidelines to medical institutions for preventing the spread of COVID-19 pandemic in the coming autumn and winter in 2020 and 2021. In the Notice, it is stated that all relevant medical institutions should in principle maintain an inventory level of various medical materials (including but not limited to protective equipment, medical consumables and disinfectants) which could satisfy the demand of 30 days of full capacity operation. In view of the additional demand, the original annual caps of RMB800 million and RMB950 million for the years ending 31 December 2020 and 2021, respectively are expected to be insufficient.

Therefore, on 28 October 2020, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to revise the annual caps for the year ending 31 December 2020 and 2021 from RMB800 million and RMB950 million to RMB1,200 million and RMB1,400 million, respectively.

2.2 Principal terms of the Supplemental Purchase Framework Agreement

Under the Purchase Framework Agreement, the Company agrees to purchase or procure its subsidiaries to purchase, and the Weigao Holding Group agrees to sell or procure its subsidiaries to sell medical based products, including but not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery on a non-exclusive basis.

On 28 October 2020, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to revise the annual caps for the years ending 31 December 2020 and 2021 from RMB800 million and RMB950 million to RMB1,200 million and RMB1,400 million, respectively.

Except for the revision of the original annual caps for the years ending 31 December 2020 and 2021, all other terms of the Purchase Framework Agreement remain unchanged.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. The Proposed Annual Caps

3.1 Background on the annual caps and historical transaction amounts

The following table set out (i) the historical or existing annual caps for each of the four years ending 31 December 2021; (ii) the historical transaction amounts for each of the two years ended 31 December 2019 and the ten months ended 31 October 2020; (iii) the utilisation rates of the historical or existing annual caps; and (iv) the Proposed Annual Caps in respect of the purchases of the products by the Group from the Weigao Holding Group:

	For the year ended/ending 31 December			
	2018	2019	2020	2021
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical or existing annual caps	270.0	440.0	800.0	950.0
Historical transaction amounts	260.0	402.7	685.3 (January to October)	N/A
Utilisation rate for the year	96.3%	91.5%	85.7% (up to 31 October 2020)	N/A
Proposed Annual Caps	N/A	N/A	1,200.0	1,400.0

As stated in the Board Letter, the Proposed Annual Caps have been determined with reference to the original annual caps and the expected additional demand for the Pandemic Prevention Supplies from various medical institutions of approximately RMB400.0 million and RMB450.0 million for the years ending 31 December 2020 and 2021, respectively, as a result of the Notice as set out above. Since the Group commenced to source the Pandemic Prevention Supplies from the Weigao Holding Group, the purchase amount of the Pandemic Prevention Supplies by the Group from the Weigao Holding Group was approximately RMB80.0 million for the ten months ended 31 October 2020. It is expected that the total purchase amount of the Pandemic Prevention Supplies will increase to approximately RMB400.0 million for the year ending 31 December 2020 and further increase to approximately RMB450.0 million for the year ending 31 December 2021 based on (i) the purchase amount of the Pandemic Prevention Supplies; (ii) the measures as set out in the Notice; and (iii) the Group's understanding of sales demand based on indications from the customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3.2 Our analysis on the Proposed Annual Caps

To assess the fairness and reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group and reviewed the underlying calculation in relation to the Proposed Annual Caps. Set out below is our analysis on the Proposed Annual Caps based on the underlying calculation we reviewed.

(a) Expected demand for the Medical Based Products

We were given to understand that the Group's original purchase projection and expected demand for the medical based products such as medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery (the "**Medical Based Products**"), which formed the basis of the original annual caps for the two years ending 31 December 2021, would remain unchanged in the underlying calculation of the Proposed Annual Caps. Based on the information provided by the Group, the Group's purchase amount of the Medical Based Products from the Weigao Holding Group for the ten months ended 31 October 2020 amounted to approximately RMB605.3 million, representing approximately 75.7% of the original annual cap for the year ending 31 December 2020, which was within the expectation of the Company.

For further details of our analysis on the annual caps in relation to the Medical Based Products, including the market outlook of the PRC medical device industry and business development of the Group, please refer to our letter contained in the circular of the Company dated 22 September 2020.

(b) Additional demand for the Pandemic Prevention Supplies

We also noted from the underlying calculation in relation to the Proposed Annual Caps that the management of the Group currently expect the Proposed Annual Caps in respect of the Pandemic Prevention Supplies to be approximately RMB400.0 million and RMB450.0 million for the years ending 31 December 2020 and 2021, respectively. As stated in the Board Letter, the Group has been receiving increasing number of orders for Pandemic Prevention Supplies from various medical institutions since early October 2020. The Directors believe it is due to the Notice issued by the Medical Treatment Group of the Joint Prevention and Control Mechanism of the COVID-19 Pandemic of the State Council* (國務院應對新型冠狀病毒肺炎疫情聯防聯控機制(醫療救治組)) in late July 2020 that set out rules and guidelines to medical institutions for preventing the spread of COVID-19 pandemic in the coming autumn and winter in 2020 and 2021.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the Notice and noted that all relevant medical institutions should in principle maintain an inventory level of various medical materials (including but not limited to protective equipment, medical consumables and disinfectants) which could satisfy the demand of 30 days of full capacity operation as one of the measures to prevent the surge of COVID-19 Pandemic in autumn and winter. In order for the medical institutions to implement the measures as set out in the Notice, we concur with the Directors that the demand for the Pandemic Prevention Supplies from various medical institutions would be increased. In order to satisfy the demand, the Group may source the underlying Pandemic Prevention Supplies for its customers. We have obtained a list of all customers who have placed sales orders to the Group for the Pandemic Prevention Supplies (the “**List**”) and noted from the List that the expected sales from these customers amounted to approximately RMB87.0 million by the end of October 2020. Based on the List, we have randomly selected and reviewed (i) two sets of sample sales records in relation to the sales of the Pandemic Prevention Supplies by the Group to its independent customers (the “**Sample Sales**”); (ii) two sets of purchase records between the Group and the Weigao Holding Group from the Sample Sales (the “**Sample Purchases**”); and (iii) four sets of sample quotations provided by other independent suppliers in relation to similar products as those under the Sample Purchases. Based on our review of the abovementioned documents, we noted that the prices and/or terms of the Pandemic Prevention Supplies offered by the Weigao Holding Group to the Group under the Sample Purchases were (i) below the prices of those offered by the Group to its independent customers under the Sample Sales; and (ii) comparable to the prices and terms of those quoted by independent suppliers.

Furthermore, based on the information provided by the management of the Group, since the Group commenced to source the Pandemic Prevention Supplies from the Weigao Holding Group, the accumulated purchase amount of the Pandemic Prevention Supplies by the Group from the Weigao Holding Group in 2020 has been increased from approximately RMB80.0 million by 31 October 2020 to approximately RMB115.5 million up to and including the Latest Practicable Date (i.e. 11 November 2020). The management of the Group currently expect that the accumulated purchase amount of the Pandemic Prevention Supplies will further increase by approximately RMB284.5 million to approximately RMB400.0 million for the period between the Latest Practicable Date and the end of 2020 and further grow by approximately 12.5% to reach approximately RMB450.0 million for the year ending 31 December 2021. We were advised by the management of the Group that their expectations are based on (i) the purchase amount of the Pandemic Prevention Supplies up to and including the Latest Practicable Date; (ii) the measures as set out in the Notice; and (iii) the Group’s understanding of the sales demand based on indications from the customers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(c) Our view

Taking into account the original purchase projection for the Medical Based Products and the additional demand for the Pandemic Prevention Supplies, we consider that the Proposed Annual Caps are fair and reasonable.

4. Internal Control and Reporting Requirements and Conditions of the Continuing Connected Transactions

4.1 Internal control measures

Based on our discussion with the management of the Group and as disclosed in the Board Letter, we understand the Group has adopted the following internal control measures for the on-going monitoring of the Continuing Connected Transactions:

- prior to entering into any purchase agreements and on a quarterly basis, the Group shall procure to obtain quotations from at least two independent suppliers on products needed from the Weigao Holding Group;
- with reference to the above comparison, the authorised staff shall ensure that the terms (including pricing and payment terms) of the products offered by the Weigao Holding Group will be no less favourable than those offered by other independent suppliers. The comparison will be submitted to accounting manager for review; and
- after review by accounting manager, if assessed to be following the terms set out in the Purchase Framework Agreement, will be further submitted to the Company's chief financial officer for approval.

4.2 Our analysis on the internal control measures

We have reviewed the internal control policy of the Group and discussed with the management of the Group to understand the procedures. With respect to the purchase of the Pandemic Prevention Supplies, we have also reviewed sample documents provided by the Company as mentioned in the paragraph headed “(b) Additional demand for the Pandemic Prevention Supplies” above under the section headed “3.2 Our analysis on the Proposed Annual Caps” and noted that they are generally in line with the pricing policies as described above.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In addition, pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

- (a) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the annual report whether the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) on normal commercial terms or better; and
 - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the Continuing Connected Transactions every year. The auditors of the Company must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - (i) have not been approved by the Board;
 - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
 - (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the Continuing Connected Transactions; and
 - (iv) have exceeded the caps;
- (c) the Company must provide a copy of the auditors' letter to the Stock Exchange at least 10 business days before the bulk printing of its annual report;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the Company must allow, and ensure that the counterparties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Continuing Connected Transactions; and
- (e) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the Company's auditors cannot confirm the matters as required. The Stock Exchange may require the Company to re-comply with the announcement and the Shareholders' approval requirement and may impose additional conditions.

We have obtained the independent assurance reports prepared by the auditors of the Company as stated in the 2018 Annual Report and 2019 Annual Report that the auditors of the Company confirmed that, among other things, the relevant continuing connected transactions including the purchase of products by the Group from the Weigao Holding Group in the years ended 31 December 2018 and 2019 were carried out in accordance with the respective pricing policies and have been entered into in accordance with the relevant agreements governing such transactions.

4.3 Our view

Taking into account of the abovementioned internal control measures and reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the value of the Continuing Connected Transactions by way of the Proposed Annual Caps; and (ii) the on-going review of the Continuing Connected Transactions by the independent non-executive Directors and auditors of the Company, we are of the view that appropriate measures thereof exist to monitor the conduct of the Continuing Connected Transactions and assist to safeguard the interests of the Independent Shareholders.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons regarding the Supplemental Purchase Framework Agreement and the Proposed Annual Caps, we consider (i) the Continuing Connected Transactions under the Purchase Framework Agreement, as amended by the Supplemental Purchase 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 is 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 resolution to be proposed at the EGM to approve the Supplemental Purchase Framework Agreement and the transactions contemplated thereunder and the Proposed Annual Caps.

Yours faithfully,

For and on behalf of

Halcyon Capital Limited

Derek C.O. Chan

Chairman

Barton Lai

Director

Mr. Chan is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Chan has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

Mr. Lai is a licensed person registered with the Securities and Futures Commission and a responsible officer of Halcyon Capital Limited, which is licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities. Mr. Lai has participated in the provision of independent financial advisory services for various transactions involving companies listed on the Stock Exchange.

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES

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

(i) Long positions in the Shares of the Company

Director	Nature of interest (long position)	Number of Shares	Approximate percentage of Shareholding (%)
Mr. Zhang Hua Wei	Beneficial interest	32,400,000	0.72
Mr. Wang Yi	Beneficial interest	18,392,000	0.41
Mrs. Zhou Shu Hua	Beneficial interest	15,300,000	0.34

Notes:

- (1) Mr. Chen Lin, son of Mr. Chen Xue Li, 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 issue share capital of the Company.

GENERAL INFORMATION

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

Director	Nature of interest (long position)	Registered capital	Approximate percentage of shareholding in Weigao Holding (%)
Mr. Zhang Hua Wei	Beneficial interest	21,960,000	1.83
Mr. Wang Yi	Beneficial interest	4,880,000	0.41
Mrs. Zhou Shu Hua	Beneficial interest	12,200,000	1.02

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 eighteen) of the Company to acquire any interests and short positions of Shares or underlying Shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO).

3. DISCLOSURE OF INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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

Shareholder	Nature of interest (long position)	Number of Shares	Approximate percentage of Shareholding (%)
Weigao Holding ^(Note)	Beneficial interest	2,099,755,676	46.43

GENERAL INFORMATION

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

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

4. DIRECTORS' SERVICES AGREEMENTS

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2019, being the date to which the latest published audited accounts of the Company were made up.

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

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

GENERAL INFORMATION

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT'S STATEMENTS

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

Name	Qualification
Halcyon Capital Limited	A corporation licensed to carry out Type 6 (advising on corporate finance) of the regulated activities under the SFO

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

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

As at the Latest Practicable Date, the above expert did not have any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

1. The Purchase Framework Agreement;
2. the Supplemental Purchase Framework Agreement;
3. the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 11 and 12 of this circular;

GENERAL INFORMATION

4. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 13 to 27 of this circular;
5. the written consent as referred to under the paragraph headed “8. Expert’s Statements” in this Appendix; and
6. this circular.

10. MISCELLANEOUS

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

NOTICE OF EGM

WEGO 威高

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

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

(Stock Code: 1066)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of the shareholders of Shandong Weigao Group Medical Polymer Company Limited (the “**Company**”) will be held at 2/F, 18 Xingshan Road, Weihai Torch Hi-Tech Science Park, Shandong, PRC, at 9:00 a.m. on Thursday, 3 December 2020 for the purpose of considering and, if thought fit, passing (with or without modifications), the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“THAT

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

By Order of the Board

Shandong Weigao Group Medical Polymer Company Limited

Zhang Hua Wei

Chairman

Hong Kong, 16 November 2020

* For identification purposes only

NOTICE OF EGM

Notes:

- (1) Any shareholder of the Company (the “**Shareholder(s)**”) who has the right to attend and vote at the EGM is entitled to appoint one proxy (or more) in writing to attend the EGM and vote on his behalf in accordance with the Company’s articles of association. The proxy need not be a Shareholder. Enclosed herewith is a form of proxy for use in the EGM. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the EGM. For any Shareholder who has appointed more than one proxies, such proxies shall only vote on poll. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders are present at any meeting personally or by proxy, then one such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (2) All Shareholders shall appoint its proxy in writing. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company’s H Shares registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time appointed for holding EGM or 24 hours before the time designated for voting. Any shareholder entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
- (3) Shareholders and their proxies attending the EGM shall produce their proof of identification.
- (4) For the purpose of determining the identity of shareholders who are entitled to attend and vote at the EGM, the register of members will be closed from Tuesday, 1 December 2020 to Thursday, 3 December 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s H Shares registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Monday, 30 November 2020.
- (5) The EGM is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own traveling and accommodation expenses.
- (6) All votes of the Shareholders at the general meetings must be taken by poll.
- (7) Any enquiries about this notice and the EGM shall be sent for the attention to Ms. Yan Yucai at 8/F, 18 Xingshan Road, Weihai Torch Hi-tech Science Park, Weihai, Shandong Province, the PRC (Tel. (86) 631 5660715) or Ms. Phillis Wong at 29/F, Two Chinachem Central, 26 Des Voeux Road Central, Hong Kong (Tel:(852) 28381490).
- (8) The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.

NOTICE OF EGM

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

Executive Directors

Mr. Zhang Hua Wei

Mr. Long Jing

Mr. Wang Yi

Mr. Gong Jian Bo

Non-executive Directors

Mrs. Zhou Shu Hua

Independent non-executive Directors

Mr. Lo Wai Hung

Mrs. Fu Ming Zhong

Mrs. Wang Jin Xia