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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) SUPPLEMENTING THE TERMS AND 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**

HALCYON 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 14 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 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 17 to 40 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 Wednesday, 14 October 2020 is set out on pages 46 to 48 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company's H Share registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

22 September 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 26 August 2020 in relation to the Supplemental Agreements
“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
“CCT Agreements”	the Logistic and Distribution Services Framework Agreement and the Purchase Framework Agreement
“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
“Distribution 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
“Distribution Company Group”	Distribution Company and its subsidiaries. They are subsidiaries of Weigao Holding
“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, among others, the Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps and the extension of the duration of the CCT Agreements)
“GDP”	gross domestic product

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an 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
“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”	16 September 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
“Logistic and Distribution Services Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Distribution Company (as amended by the supplemental agreement dated 27 September 2019)
“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)
“Proposed Annual Caps”	the proposed annual caps for the years ending 31 December 2020 and 2021 to the CCT Agreements under the Supplemental Agreements
“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 and 18 December 2019)
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“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 Agreements”	the Supplemental Logistic and Distribution Services Framework Agreement and the Supplemental Purchase Framework Agreement
“Supplemental Logistic and Distribution Services Framework Agreement”	the agreement dated 26 August 2020 entered into between parties to the Logistic and Distribution Services Framework Agreement to amend the annual caps and to extend the duration of the Logistic and Distribution Services Framework Agreement
“Supplemental Purchase Framework Agreement”	the agreement dated 26 August 2020 entered into between parties to the Purchase Framework Agreement to amend the annual caps and to extend the duration of the Purchase Framework Agreement
“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 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. 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:*

801 Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong

22 September 2020

To the Shareholders

Dear Sir or Madam,

**(1) SUPPLEMENTING THE TERMS OF AND 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 Agreements.

* 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 Agreements, the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, and notice of the EGM at which relevant ordinary resolutions will be proposed to consider and, if though fit, approve the Supplemental Agreements.

THE SUPPLEMENTAL AGREEMENTS

On 26 August 2020, the Group entered into the Supplemental Agreements to (i) revise the annual caps for the year ending 31 December 2020; (ii) extend the agreement term for one year; and (iii) propose new annual cap for the year ending 31 December 2021. All other terms as stipulated in the CCT Agreements remain unchanged.

(1) The Supplemental Logistic and Distribution Services Framework Agreement

The Company entered into the Supplemental Logistic and Distribution Services Framework Agreement with Distribution Company to (i) revise the existing annual cap for the year ending 31 December 2020 from RMB600 million to RMB1,200 million; (ii) extend the term of the agreement to 31 December 2021; and (iii) propose new annual cap of RMB1,400 million for the year ending 31 December 2021.

	Year ending	
	31 December 2020	31 December 2021
	RMB	RMB
Original annual caps	600 million	N/A
Proposed Annual Caps	1,200 million	1,400 million

Except for the revision of the existing annual cap for the year ending 31 December 2020, the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, the principal terms of the Logistic and Distribution Services Framework Agreement remain unchanged and are set out below:

Subject matter:	Provision of nation-wide distribution services by the Distribution Company Group under an integrated medical device supply chain with management mode with optimized product and customer structure.
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LETTER FROM THE BOARD

- Material terms:** The Distribution Company Group will provide integrated medical device supply chain logistic services to the Group, the conditions thereof shall not be less favorable than those available to the Group from independent third parties for comparable distribution logistic services. The Group will utilize the distribution services of the Distribution Company Group on a voluntary and non-compulsory basis and is not obliged to engage the distribution services provider of the Distribution Company Group for any distribution and logistic services. The Distribution Company Group may, from time to time, enter into separate individual agreements with the Group for the provision of distribution services, provided that the principles under the Logistic and Distribution Services Framework Agreement must be observed.
- Pricing policy:** The comprehensive pricing (including fees) of the distribution services charged by the Distribution Company Group shall be fair and reasonable and shall not be higher than the comprehensive pricing of the similar distribution services provided by independent third parties to the Group during the same period.
- The Group shall compare the rates and terms of the services offered by the Distribution Company Group to those charged or quoted by at least two independent logistics and distribution service providers for providing similar services to ensure the terms (including pricing and payment) contemplated under the Logistic and Distribution Services Framework Agreement are on normal commercial terms.
- Control measures:** To ensure the conformity with the pricing policy in relation to the continuing connected transactions contemplated under the Logistics and Distribution Services 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 logistic and distribution services agreements, the authorised department of the Company shall review and assess the actual logistic and distribution 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);

LETTER FROM THE BOARD

- (ii) prior to entering into any logistic and distribution services agreements and on a quarterly basis, the authorised department of the Company shall compare the rates and terms of the logistic and distribution services offered by the Distribution Company Group to those charged or quoted by at least two independent logistic and distribution service providers for providing similar services;
- (iii) with reference to the above comparison, the authorised staff shall ensure that the rates and terms of the logistic and distribution services offered by the Distribution Company Group will be no less favourable than those offered by other independent logistic and distribution service provider. The comparison will be submitted to accounting manager for review; and
- (iv) after review by accounting manager, if assessed to be following the terms set out in the Logistic and Distribution Services 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 Logistics and Distribution Services Framework Agreement will be conducted on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

(2) The Supplemental Purchase Framework Agreement

The Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to (i) revise the existing annual cap for the year ending 31 December 2020 from RMB500 million to RMB800 million; (ii) extend the term of the agreement to 31 December 2021; and (iii) propose new annual cap of RMB950 million for the year ending 31 December 2021.

	Year ending	
	31 December 2020 RMB	31 December 2021 RMB
Original annual caps	500 million	N/A
Proposed Annual Caps	800 million	950 million

LETTER FROM THE BOARD

Except for the revision of the existing annual cap for the year ending 31 December 2020, the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, the principal terms of the Purchase Framework Agreement remain unchanged and are set out below:

- Subject matter: 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.
- Pricing policy: Prices and terms of purchase with respect to medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery sold by the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms, negotiated on an arm's length basis and at prices and terms no less favorable terms to the Group than those available to independent third parties.
- 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.
- Control measures: 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 AGREEMENTS

(1) The Supplemental Logistic and Distribution Services Framework Agreement

Given that the Logistic and Distribution Services Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to procure the services from the Distribution Company Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the six months ended 30 June 2020.

	For the year ended 31 December 2019 <i>approximately</i> RMB	For the six months ended 30 June 2020 <i>approximately</i> RMB
Actual transaction amount	430.3 million	572.4 million

As shown in the table above, the actual transaction amount for the six months ended 30 June 2020 under the Logistic and Distribution Services Framework Agreement has reached approximately 95.4% of the original annual cap for the year ending 31 December 2020.

According to the National Bureau of Statistics of China, the total expenditure on health of the PRC grew from approximately RMB3,531.2 billion in 2014 to approximately RMB5,912.2 billion in 2018, representing a CAGR of approximately 13.8% during that period. In particular, the total expenditure on health of the PRC grew from 5.5% of nominal GDP in 2014 to approximately 6.6% of nominal GDP in 2018. Although the total expenditure on health as percentage of GDP in the PRC is growing steadily, it is still low compared to other nations, which indicates room for growth potential. According to "Global Spending on Health: A World in

LETTER FROM THE BOARD

Transition”, a report published by the World Health Organization in December 2019, the world spent approximately US\$7.8 trillion on health in 2017, representing about 10% of global GDP, indicating that the PRC still has ample potential for increment in expenditure on health.

Growing population is another factor which may lead to increase in demand for medical device products. According to the National Bureau of Statistics of China, the population of the PRC increased from approximately 1.37 billion in 2014 to approximately 1.40 billion in 2019 and it is projected in the PRC’s 13th Five-year Plan for economic and social development approved in the Fourth Session of the 12th National People’s Congress in March 2016 that the population will increase to 1.42 billion by the end of 2020, implying a potential demand growth for the medical device products. In addition, with the abolishment of the one-child policy in the PRC as well as a stable and growing birth rate, the demand for medical device products is likely to continue to grow in the future.

Taking into account the above factors, the Company expects that the business of the Group will continue to grow in the long run with the growing PRC medical device industry. The demand for the provision of the integrated medical device supply chain logistics services to support the Group’s business is also expected to be increased.

The Proposed Annual Caps were determined with reference to the anticipated demand for services from the Distribution Company Group for the financial years ending 31 December 2020 and 2021 based on the historical demand and expected market growth as set out above.

The Proposed Annual Caps for the year ending 31 December 2021 of RMB1,400.0 million represents an increase of approximately 16.7% as compared to that of RMB1,200.0 million for the year ending 31 December 2020, which is determined with reference to the expected increase in demand for the services from the Distribution Company Group after taking into account the expected market growth of the PRC medical device industry and the increase in revenue of the Group in the past.

(2) The Supplemental Purchase Framework Agreement

Given that the Purchase Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to purchase products from the Weigao Holding Group, the agreement term is proposed to be extended to 31 December 2021.

LETTER FROM THE BOARD

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the six months ended 30 June 2020.

	For the year ended 31 December 2019 approximately RMB	For the six months ended 30 June 2020 approximately RMB
Actual transaction amount	402.7 million	432.3 million

As shown in the table above, the actual transaction amount for the six months ended 30 June 2020 under the Purchase Framework Agreement has reached approximately 86.5% of the original annual cap for the year ending 31 December 2020.

The purchases contemplated under the Purchase Framework Agreement had slowed down during July and August 2020 and that the purchase amount under the Purchase Framework Agreement from 1 January 2020 up to the Latest Practicable Date was still below RMB500.0 million. The Directors currently expect that the purchase amount for the last quarter of 2020 may resume to a similar level as compared to that for the first half of 2020 and therefore the Proposed Annual Cap of RMB800 million for the year ending 31 December 2020 is sufficient.

The Proposed Annual Caps were determined with reference to the anticipated demand for products from the Weigao Holding Group for the years ending 31 December 2020 and 2021 based on the historical demand as set out above and expected market growth as set out in the section headed “(1) The Supplemental Logistic and Distribution Services Framework Agreement” above.

The Proposed Annual Caps for the year ending 31 December 2021 of RMB950.0 million represents an increase of approximately 18.8% as compared to that of RMB800.0 million for the year ending 31 December 2020, which is determined with reference to the expected increase in demand for products from the Weigao Holding Group after taking into account the expected market growth of the PRC medical device industry and the increase in revenue of the Group in the past.

As at the Latest Practicable Date, none of the annual caps under the CCT Agreements have been exceeded.

The Company will ensure that the existing annual caps under the CCT Agreements will not be exceeded before obtaining the Independent Shareholders’ approval as required under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

INFORMATION REGARDING THE GROUP AND WEIGAO HOLDING AND DISTRIBUTION COMPANY

The Group

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

Weigao Holding

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

Distribution Company

Distribution Company is a company incorporated under the laws of the PRC with limited liability and is a subsidiary of Weigao Holding. Distribution Company is principally engaged in medical device logistic operation and distribution services 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 and Distribution Company is a subsidiary of Weigao Holding. Accordingly, Weigao Holding and Distribution Company are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company.

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

LETTER FROM THE BOARD

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee has been formed to consider whether the terms of the CCT Agreements (as amended by the Supplemental Agreements) 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. Long Jing, Mr. Wang Yi 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.

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 Agreements in view of their material interest in the Supplemental Agreements:

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><u>2,165,847,676</u></u>	<u><u>47.89%</u></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 resolutions to be proposed at the EGM in relation to the Supplemental Agreements.

LETTER FROM THE BOARD

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 Wednesday, 14 October 2020 for the purpose of considering, and if thought fit, approve the Supplemental Agreements. A notice of the EGM is set out on pages 46 to 48 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 Agreements were entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms (including the Proposed Annual Caps), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole. As such, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

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

22 September 2020

To the Independent Shareholders

Dear Sir or Madam,

SUPPLEMENTING THE TERMS OF AND INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 22 September 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 CCT Agreements (as amended by the Supplemental Agreements) 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 17 to 40 of the Circular.

We wish to draw your attention to the letter from the Board set out on pages 4 to 14 of the Circular and the letter of advice from the Independent Financial Adviser set out on pages 17 to 40 of the Circular and to the appendices of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
For and on behalf of
The Independent Board Committee of
Shandong Weigao Group Medical Polymer Company Limited
Mr. Lo Wai Hung
Mrs. Fu Ming Zhong
Mrs. Wang Jin Xia

* *for identification purposes only*

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

22 September 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

SUPPLEMENTING THE TERMS AND 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 terms of the continuing connected transactions (the “**Continuing Connected Transactions**”) contemplated under the CCT Agreements, as amended by the Supplemental Agreements (collectively, the “**2020 CCT Agreements**”, i.e. the Purchase Framework Agreement, as amended by the Supplemental Purchase Framework Agreement (collectively, the “**Master Purchase Framework Agreement**”) and the Logistic and Distribution Services Framework Agreement, as amended by the Supplemental Logistic and Distribution Services Framework Agreement (collectively, the “**Master Logistic and Distribution Services Framework Agreement**”)) and the Proposed Annual Caps. Details of the 2020 CCT Agreements are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 22 September 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 5 December 2018, the Company entered into (i) the Purchase Framework Agreement with Weigao Holding, pursuant to which the Group agreed to purchase certain medical based products, including but not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery (collectively, the “**Purchase Products**”) from the Weigao Holding Group; and (ii) the Logistic and Distribution Services Framework Agreement with Distribution Company, pursuant to which the Distribution Company Group agreed to provide integrated medical device supply chain logistic services (the “**Logistic and Distribution Services**”) to the Group, each for a term of two years from 1 January 2019 to 31 December 2020.

Subsequent to the entering into of the Purchase Framework Agreement and the Logistic and Distribution Services Framework Agreement, the abovementioned parties entered into the respective supplemental agreements on 27 September 2019 to revise the annual caps in respects of (i) the purchase of the Purchase Products by the Group from the Weigao Holding Group to RMB400 million and RMB500 million; and (ii) the provision of the Logistic and Distribution Services by the Distribution Company Group to the Group to RMB450 million and RMB600 million for the two years ending 31 December 2019 and 2020, respectively.

On 18 December 2019, the Group further revised the annual cap in respect of the purchase of the Purchase Products by the Group from the Weigao Holding Group to RMB440 million for the year ended 31 December 2019, while annual cap for the year ending 31 December 2020 remained unchanged.

With the anticipated demand for the Purchase Products and the Logistic and Distribution Services, the Directors expect the actual transaction amounts of the Continuing Connected Transactions may exceed each of the existing annual caps for the year ending 31 December 2020 under the CCT Agreements. Given that the Purchase Framework Agreement and the Logistic and Distribution Services Framework Agreement will be expired on 31 December 2020 and that the Company expects to continue to procure the Purchase Products from the Weigao Holding Group and the Logistic and Distribution Services from the Distribution Company Group, on 26 August 2020, the parties to the respective CCT Agreements entered into the respective Supplemental Agreements to (i) revise the respective existing annual caps for the year ending 31 December 2020; (ii) extend the respective agreements term to 31 December 2021; and (iii) propose respective new annual caps (together with the revised annual caps for the year ending 31 December 2020, known as the Proposed Annual Caps) for the year ending 31 December 2021. All other terms as stipulated in the CCT Agreements 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; and Distribution Company is a subsidiary of Weigao Holding. Accordingly, Weigao Holding and Distribution Company are connected persons of the Company and transactions under the 2020 CCT Agreements 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 resolutions 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 resolutions to approve the Supplemental Agreements 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 Agreements (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 one engagement (details of which have been set out in the letter from Halcyon Capital Limited in the circular of the Company dated 27 September 2019), 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 CCT Agreements, the Supplemental Agreements, the supplemental agreements to the Purchase Framework Agreement dated 27 September 2019 and 18 December 2019 (respectively as the “**2019 First Supplemental Purchase Framework Agreement**” and the “**2019 Second Supplemental Purchase Framework Agreement**”), the supplemental agreement to the Logistic and Distribution Services Framework Agreement dated 27 September 2019 (the “**2019 Supplemental Logistic and Distribution Services Framework Agreement**”), the interim results announcement of the Company for the six months ended 30 June 2020 (the “**2020 Interim Results**”), 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 terms 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 Results 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 Results, 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 Results 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. Distribution 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 a subsidiary of Weigao Holding. Distribution Company is principally engaged in medical device logistic operation and distribution services in the PRC. According to the management account of the Distribution Company Group, the revenue of the Distribution Company Group amounted to approximately RMB3.1 billion for the year ended 31 December 2019.

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 and Distribution Company are therefore connected persons of the Company pursuant to the meaning of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2. Reasons for and benefit of entering into the Supplemental Agreements

With the anticipated demand for the Purchase Products and the Logistic and Distribution Services, the Directors expect the actual transaction amounts of the Continuing Connected Transactions may exceed each of the existing annual caps for the year ending 31 December 2020 under the CCT Agreements. Given that the Purchase Framework Agreement and the Logistic and Distribution Services Framework Agreement will be expired on 31 December 2020 and that the Company expects to continue to procure the Purchase Products from the Weigao Holding Group and the Logistic and Distribution Services from the Distribution Company Group, on 26 August 2020, the parties to the respective CCT Agreements entered into the respective Supplemental Agreements to (i) revise the respective existing annual caps for the year ending 31 December 2020; (ii) extend the respective agreements term to 31 December 2021; and (iii) propose respective new annual caps (together with the revised annual cap for the year ending 31 December 2020, known as the Proposed Annual Caps) for the year ending 31 December 2021. Details of the existing annual caps and the Proposed Annual Caps for the years ending 31 December 2020 and 2021 are as follows:

	For the year ending 31 December	
	2020	2021
	<i>RMB million</i>	<i>RMB million</i>
Purchase of the Purchase Products		
Existing annual caps in respect of the purchase of the Purchase Products	500.0	N/A
Proposed Annual Caps in respect of the purchase of the Purchase Products (the “ Proposed Purchase Caps ”)	800.0	950.0
Logistic and Distribution Services		
Existing annual caps in respect of the Logistic and Distribution Services	600.0	N/A
Proposed Annual Caps in respect of the Logistic and Distribution Services (the “ Proposed Logistic and Distribution Caps ”)	1,200.0	1,400.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Principal terms of Continuing Connected Transactions under the 2020 CCT Agreements

In assessing whether the terms of the Continuing Connected Transactions under the 2020 CCT Agreements are fair and reasonable, we have reviewed the principal terms of each of the 2020 CCT Agreements as discussed below.

3.1 Master Purchase Framework Agreement

Dates of agreements:	Purchase Framework Agreement: 5 December 2018 2019 First Supplemental Purchase Framework Agreement: 27 September 2019 2019 Second Supplemental Purchase Framework Agreement: 18 December 2019 Supplemental Purchase Framework Agreement: 26 August 2020
Parties:	(1) the Company; and (2) Weigao Holding
Terms:	three years from 1 January 2019 to 31 December 2021
Subject matter:	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 (i.e. the Purchase Products) on a non-exclusive basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Pricing policy:

Prices and terms of purchase with respect to the Purchase Products sold by the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms; negotiated on an arm's length basis and at prices and terms no less favorable terms to the Group than those available to independent third parties.

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.

As advised by the management of the Group, the Purchase Products purchased or to be purchased by the Group from the Weigao Holding Group are principally used by the Group for the manufacturing of single use consumable products and distribution to customers of the Group.

According to the Master Purchase Framework Agreement, the prices and terms of making purchases of the Purchase Products by the Group from the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms; negotiated on an arm's length basis and at prices and terms no less favorable terms to the Group than those available to independent third parties.

Furthermore, according to the Group's internal control measures in respect of making purchases of the Purchase Products by the Group from the Weigao Holding Group, we noted that prior to entering into any purchase agreements and on a quarterly basis, the Group will procure to obtain quotations from at least two independent suppliers on products needed from the Weigao Holding Group. Further information of internal control measures in respect of the purchase of the Purchase Products adopted by the Group and our related analysis is set out under section headed "5. Internal Control and Reporting Requirements and Conditions of the Continuing Connected Transactions" below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In order to assess the fairness and reasonableness of the terms of the purchase of the Purchase Products by the Group from the Weigao Holding Group, we have obtained and reviewed two sets of sample invoices for historical purchase transactions of each type of the major product categories including medical equipment, medical raw materials, medical packaging materials, pharmaceutical and machine accessories and parts between the Group and members of the Weigao Holding Group against four sets of sample quotations of similar transactions of each type of the abovementioned product categories between the Group and other independent suppliers. Based on our review of the said invoices and quotations, we noted that the prices and terms offered by the Weigao Holding Group to the Group in the samples obtained are generally in line with the pricing policy.

3.2 Master Logistic and Distribution Services Framework Agreement

Dates of agreements:	Logistic and Distribution Services Framework Agreement: 5 December 2018 2019 Supplemental Logistic and Distribution Services Framework Agreement: 27 September 2019 Supplemental Logistic and Distribution Services Framework Agreement: 26 August 2020
Parties:	(1) the Company; and (2) Distribution Company
Terms:	three years from 1 January 2019 to 31 December 2021
Subject matter:	Provision of nation-wide distribution services by the Distribution Company Group under an integrated medical device supply chain with management mode with optimized product and customer structure.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Material terms:

The Distribution Company Group will provide integrated medical device supply chain logistic services to the Group, the conditions thereof shall not be less favorable than those available to the Group from independent third parties for comparable distribution logistic services. The Group will utilize the distribution services of the Distribution Company Group on a voluntary and non-compulsory basis and is not obliged to engage the distribution services provider of the Distribution Company Group for any distribution and logistic services. The Distribution Company Group may, from time to time, enter into separate individual agreements with the Group for the provision of distribution services, provided that the principles as agreed in the Logistic and Distribution Services Framework Agreement must be observed.

Pricing policy:

The comprehensive pricing (including fees) of the distribution services charged by the Distribution Company Group shall be fair and reasonable and shall not be higher than the comprehensive pricing of the similar distribution services provided by independent third parties to the Group during the same period.

The Group shall compare the rates and terms of the services offered by the Distribution Company Group to those charged or quoted by at least two independent logistics and distribution service providers for providing similar services to ensure the terms (including pricing and payment) contemplated under the Logistic and Distribution Services Framework Agreement are on normal commercial terms.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the Master Logistic and Distribution Services Framework Agreement, the comprehensive pricing (including fees) of the distribution services charged by the Distribution Company Group shall be fair and reasonable and shall not be higher than the comprehensive pricing of the similar distribution services provided by independent third parties to the Group during the same period.

Furthermore, according to the Group's internal control measures in respect of the provision of the Logistic and Distribution Services by the Distribution Company Group to the Group, we noted that prior to entering into any logistic services agreements and on a quarterly basis, the authorised department of the Company will compare the rates and terms of the Logistic and Distribution Services offered by the Distribution Company Group to those charged or quoted by at least two independent logistic and distribution service providers for providing similar services. Further information of internal control measures in respect of the procurement of the Logistic and Distribution Services adopted by the Group and our related analysis is set out under section headed "5. Internal Control and Reporting Requirements and Conditions of the Continuing Connected Transactions" below.

In order to assess the fairness and reasonableness of the terms of the Logistic and Distribution Services, we have obtained a list of all PRC hospitals that the Group procured the Logistic and Distribution Services from the Distribution Company Group and have based on such list, randomly selected and reviewed two sets of sample contracts and invoices for historical distribution services between the Group and the Distribution Company Group against four sets of sample contracts and invoices of similar services between the Group and other independent logistic and distribution service providers. Based on our review of the said contracts and invoices, we noted that the prices and terms offered by the Distribution Company Group to the Group in the samples obtained are generally in line with the pricing policy.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. The Proposed Annual Caps

4.1 Proposed Purchase Caps

(a) 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 three years ending 31 December 2020; (ii) the historical transaction amounts for each of the two years ended 31 December 2019 and the six months ended 30 June 2020; (iii) the utilisation rates of the historical or existing annual caps; and (iv) the Proposed Purchase Caps in respect of the purchases of the Purchase Products by the Group from the Weigao Holding Group:

	For the year ended/ending 31 December			
	2018	2019	2020	2021
	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>
Historical or existing annual caps	270.0	440.0	500.0	N/A
Historical transaction amounts	260.0	402.7	432.3 (January to June)	N/A
Utilisation rate for the year	96.3%	91.5%	86.5% (up to 30 June 2020)	N/A
Proposed Purchase Caps	N/A	N/A	800.0	950.0

As stated in the Board Letter, the Proposed Purchase Caps have been determined with reference to (i) the historical transaction amount of approximately RMB432.3 million under the Purchase Framework Agreement for the six months ended 30 June 2020, representing approximately 86.5% of the existing annual cap for the year ending 31 December 2020; and (ii) the anticipated demand for the Purchase Products from the Weigao Holding Group for the years ending 31 December 2020 and 2021 based on the historical demand as set out above and expected market growth.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

According to the National Bureau of Statistics of China, the total expenditure on health of the PRC grew from approximately RMB3,531.2 billion in 2014 to approximately RMB5,912.2 billion in 2018, representing a CAGR of approximately 13.8% during that period. In particular, the total expenditure on health of the PRC grew from 5.5% of nominal GDP in 2014 to approximately 6.6% of nominal GDP in 2018. Although the total expenditure on health as percentage of GDP in the PRC is steadily growing, it is still low compared to other nations, which indicates room for growth potential. According to “Global Spending on Health: A World in Transition”, a report published by the World Health Organization in December 2019, the world spent approximately US\$7.8 trillion on health in 2017, representing about 10% of global GDP, indicating that the PRC still has ample potential for increment in expenditure on health. The report also mentioned that the PRC government committed to universalize affiliation to public health insurance schemes since 2000 through both individual contributions and budget transfers in the priority for health in public spending. This spending more than doubled as a percent of GDP of the PRC.

Growing population is another factor which may lead to increase in demand for medical device products. According to the National Bureau of Statistics of China, the population of the PRC increased from approximately 1.37 billion in 2014 to approximately 1.40 billion in 2019 and it is projected in the PRC’s 13th Five-year Plan for economic and social development approved in the Fourth Session of the 12th National People’s Congress in March 2016 that the population will increase to 1.42 billion by the end of 2020, implying a potential demand growth for the medical device products. In addition, with the abolishment of the one-child policy in the PRC as well as a stable and growing birth rate, the demand for medical device products is likely to continue to grow in the future.

According to the 2019 Annual Report, the revenue of Group increased by approximately 17.7% for the year ended 31 December 2019, as compared to the year ended 31 December 2018, to reach approximately RMB10,364.1 million. For the six months ended 30 June 2020, the revenue of the Group further increased by approximately 3.0% to RMB5,091.2 million, as compared to the six months ended 30 June 2019. During the years, the Group’s customer base has been expanding and as at the date of the 2020 Interim Results, the Group had a PRC customer base of 5,686 in aggregate (including 2,626 hospitals, 414 blood stations, 729 other medical units and 1,917 distributors) and an overseas customer base of 4,912 in aggregate (including 3,218 hospitals, 1,417 other medical units and 277 distributors).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the management of the Group, the Group has continued to invest in the capacity building and production facilities to meet the sales demand for future market growth and as stated in the 2020 Interim Results, during the six months ended 30 June 2020, the Group has invested approximately RMB488.5 million in production facilities and plan construction for the purpose of enhancing the overall construction of the industrial zone for the Group's medical consumables. The Group also planned to invest approximately RMB200.0 million and RMB600 million in new production lines, which are expected to be in operation by the end of 2021 and 2022, respectively. Furthermore, construction is underway for the planned investment of approximately RMB150 million for upgrading and reconfiguration of the single-use consumables production equipment to further enhance the level of production automation.

(c) Utilisation of the existing annual caps in respect of the Purchase Products

The Proposed Purchase Caps for the years ending 31 December 2020 and 2021 are RMB800.0 million and RMB950.0 million, respectively. Based on the information provided by the Group, the purchase amount of the Purchase Products by the Group from the Weigao Holding Group for the six months ended 30 June 2020 amounted to approximately RMB432.3 million, representing approximately (i) 86.5% of the existing annual cap for the year ending 31 December 2020; (ii) 224.2% of the purchase amount for the corresponding period ended 30 June 2019; (iii) 107.4% of the purchase amount for the year ended 31 December 2019; and (iv) 54.0% and 45.5% of each of the Proposed Purchase Caps for the years ending 31 December 2020 and 2021, respectively. Based on our understanding from the management of the Group, the purchases contemplated under the Purchase Framework Agreement had slowed down during July and August 2020 and that the purchase amount under the Purchase Framework Agreement from 1 January 2020 up to the Latest Practicable Date was still below RMB500.0 million. The Directors currently expect that the purchase amount for the last quarter of 2020 may resume to a similar level as compared to that for the first half of 2020 and therefore the Proposed Purchase Cap of RMB800.0 million for the year ending 31 December 2020 is sufficient. According to the management of the Group, the Proposed Purchase Cap for the year ending 31 December 2021 of RMB950.0 million represents an increase of approximately 18.8% as compared to the Proposed Purchase Cap for the year ending 31 December 2020, which is determined with reference to the expected increase in demand for the Purchase Products after taking into account the market growth of the PRC medical device industry and the increase in the revenue of the Group in the past.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as advised by the management of the Group, one of the Group's supplier had become a non-wholly owned subsidiary of Weigao Holding in early 2020 and therefore became a connected person of the Company. The purchase amounts from such a supplier were approximately RMB71.9 million and RMB68.8 million for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively.

(d) Our view

Taking into account of (i) the outlook of the PRC medical device industry; (ii) the business development of the Group, including its past financial performances and its continuous effort in growing its revenue stream and production capacity; and (iii) the purchase of the Purchase Products already amounted to approximately RMB432.3 million for the six months ended 30 June 2020, we consider that the Proposed Purchase Caps are fair and reasonable.

4.2 Proposed Logistic and Distribution Caps

(a) Background on the annual caps and historical transaction amounts

The following table set out (i) the existing annual caps for each of the two years ending 31 December 2020; (ii) the historical transaction amounts for the year ended 31 December 2019 and the six months ended 30 June 2020; (iii) the utilisation rates of the existing annual caps; (iv) and the Proposed Logistic and Distribution Caps in respect of the provision of the Logistic and Distribution Services by the Distribution Company Group to the Group:

	For the year ended/ending 31 December		
	2019	2020	2021
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Existing annual caps	450.0	600.0	N/A
Historical transaction amounts	430.3	572.4 (January to June)	N/A
<i>Utilisation rate for the year</i>	<i>95.6%</i>	<i>95.4% (up to 30 June 2020)</i>	N/A
Proposed Logistic and Distribution Caps	N/A	1,200.0	1,400.0

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Board Letter, the Proposed Logistic and Distribution Caps are determined with reference to (i) the historical transaction amount of approximately RMB572.4 million under the Logistic and Distribution Services Framework Agreement, representing approximately 95.4% of the existing annual cap for the year ending 31 December 2020; and (ii) the anticipated demand for the Logistic and Distribution Services from the Distribution Company Group for the years ending 31 December 2020 and 2021 based on the historical demand as set out above and expected market growth.

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

Taking into account of the discussions in the same paragraph headed “(b) Market outlook of the PRC medical device industry and business development of the Group” above under the section headed “4.1 Proposed Purchase Caps”, we consider that the PRC medical device industry and the business of the Group are expected to continue to grow in the long run, thus the demand for the provision of the Logistic and Distribution Services by the Distribution Company Group to support the Group’s business is also expected to be increased.

(c) Utilisation of the existing annual caps in respect of the Logistic and Distribution Services

The Proposed Logistic and Distribution Caps for the two years ending 31 December 2020 and 2021 are RMB1,200.0 million and RMB1,400.0 million, respectively. Based on the information provided by the Group, the transaction amount of the Logistic and Distribution Services provided by the Distribution Company Group for the six months ended 30 June 2020 already amounted to approximately RMB572.4 million, representing approximately (i) 95.4% of the existing annual cap for the year ending 31 December 2020; (ii) 362.3% of the transaction amount for the corresponding period ended 30 June 2019; (iii) 133.0% of the transaction amount for the year ended 31 December 2019; and (iv) 47.7% and 40.9% of each of the Proposed Logistic and Distribution Caps for the years ending 31 December 2020 and 2021, respectively. According to the management of the Group, the Proposed Logistic and Distribution Caps for the year ending 31 December 2021 of RMB1,400 million represents an increase of approximately 16.7% as compared to the Proposed Logistic and Distribution Cap for the year ending 31 December 2020, which is determined with reference to the expected increase in demand for the Logistic and Distribution Services after taking into account the market growth of the PRC medical device industry and the increase in the revenue of the Group in the past.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Furthermore, as advised by the management of the Group, the number of PRC hospitals which involved the Group procuring the Logistic and Distribution Services from the Distribution Company Group has been increased by approximately 54.7% from 318 PRC hospitals as at 31 December 2019 to 492 PRC hospitals as at 30 June 2020.

(d) Our view

Taking into account of (i) the outlook of the PRC medical device industry; (ii) the number of PRC hospitals which involved the Group procuring the Logistic and Distribution Services from the Distribution Company Group has been increasing; and (iii) the transaction amount of the Logistic and Distribution Services already amounted to approximately RMB572.4 million for the six months ended 30 June 2020, we concurred the Proposed Logistic and Distribution Caps are fair and reasonable.

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

5.1 Internal control measures

(a) The Purchase of the Purchase Products

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 purchases of the Purchase Products:

- 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.

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(b) The Logistic and Distribution Services

In respect of the Logistic and Distribution Services, the Group has adopted the following internal control measures for the on-going monitoring of the Logistic and Distribution Services:

- prior to entering into any logistic and distribution services agreements, the authorised department of the Company shall review and assess the actual Logistic and Distribution 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);
- prior to entering into any logistic and distribution services agreements and on a quarterly basis, the authorised department of the Company shall compare the rates and terms of the Logistic and Distribution Services offered by the Distribution Company Group to those charged or quoted by at least two independent logistic and distribution service providers for providing similar services;
- with reference to the above comparison, the authorised staff shall ensure that the rates and terms of the Logistic and Distribution Services offered by the Distribution Company Group will be no less favourable than those offered by other independent logistic and distribution service provider. 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 Logistic and Distribution Services Framework Agreement, will be further submitted to the Company's chief financial officer for approval.

5.2 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 each type of Continuing Connected Transactions, we have also reviewed sample documents provided by the Company as mentioned in the section headed "3. Principal terms of the Continuing Connected Transactions under the 2020 CCT Agreements" and noted that they are generally in line with the pricing policies as described above.

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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;
- (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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (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 and the provision of logistic and distribution services by the Distribution Company Group to the 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.

5.3 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, we consider (i) the Continuing Connected Transactions under the 2020 CCT Agreements 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) each of 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 resolutions to be proposed at the EGM to approve the Supplemental Agreements and the transactions contemplated thereunder and each of 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)	Number of Shares	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

GENERAL INFORMATION

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

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

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

4. DIRECTORS' SERVICES AGREEMENTS

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

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

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 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.

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6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

7. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors 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 801 Chinachem Century Tower, 178 Gloucester Road, Wanchai, 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:

GENERAL INFORMATION

1. the CCT Agreements;
2. the Supplemental Agreements;
3. the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 4 and 14 of this circular;
4. the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 40 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 Wednesday, 14 October 2020 for the purpose of considering and, if thought fit, passing (with or without modifications), the following resolutions as an ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

- (i) the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Logistic and Distribution Services 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 Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Logistic and Distribution Services Framework Agreement) and the transactions contemplated thereunder;

NOTICE OF EGM

- (ii) the Purchase Framework Agreement (as amended by the Supplemental Purchase 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 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, 22 September 2020

Notes:

- (1) Any shareholder of the Company (the “Shareholder(s)”) who has the right to attend and vote at the EGM is entitled to appoint one proxy (or more) in writing to attend the EGM and vote on his behalf in accordance with the Company’s articles of association. The proxy need not be a Shareholder. Enclosed herewith is a form of proxy for use in the EGM. Any Shareholder who wishes to appoint a proxy should first review the form of proxy for use in the EGM. For any Shareholder who has appointed more than one proxies, such proxies shall only vote on poll. In the case of joint registered holders, the proxy form may be signed by any joint registered holder. In the case that more than one of such joint registered holders are present at any meeting personally or by proxy, then one such joint registered holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (2) All Shareholders shall appoint its proxy in writing. To be valid, a form of proxy together with a power of attorney or other authority, if any, under which it is signed or certified by a notary or an official copy of that power of attorney or authority, must be delivered at the Company’s H Shares registrar, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 24 hours before the time appointed for holding EGM or 24 hours before the time designated for voting Any shareholder entitled to attend and vote at the above meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote in his stead. A proxy need not be a shareholder of the Company.
- (3) Shareholders and their proxies attending the EGM shall produce their proof of identification.
- (4) For the purpose of determining the identity of shareholders who are entitled to attend and vote at the EGM, the register of members will be closed from Friday, 9 October 2020 to Wednesday, 14 October 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, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 8 October 2020.

NOTICE OF EGM

- (5) *The holders of the H Shares who intend to attend the EGM, whether in person or by proxy, should complete and return the reply slip to the Company's H Share registrars in Hong Kong, Tricor Standard Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, 13 October 2020 by hand, by post, by telegraph or by fax to (852) 2528 3158.*
- (6) *The EGM is expected not to exceed half a day, and all shareholders and proxies shall be responsible for their own traveling and accommodation expenses.*
- (7) *All votes of the Shareholders at the general meetings must be taken by poll.*
- (8) *Any enquiries about this notice and the EGM shall be sent for the attention to Ms. Yan Yucai at 7/F, 18 Xingshan Road, Weihai Torch Hi-tech Science Park, Weihai, Shandong Province, the PRC (Tel. (86) 631 5660715) or Ms. Phillis Wong at 801, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong (Tel:(852) 28381490).*
- (9) *The Chinese translation of this notice is for reference only, and in case of any inconsistency, the English version shall prevail.*

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

Executive Directors

Mr. 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

* *for identification purposes only*