

2 December 2025

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**RENEWAL OF PURCHASE FRAMEWORK AGREEMENT
AND
RENEWAL OF LOGISTIC SUPPORT
SERVICES FRAMEWORK AGREEMENT**

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 Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the corresponding Proposed Annual Caps. Details of the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 2 December 2025 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same respective meanings as defined in the Circular unless the context otherwise requires.

Subsequent to the entering into of the Purchase Framework Agreement on 5 December 2018, the Company and Weigao Holding entered into various supplemental agreements to revise certain terms and propose new annual caps thereof. On 30 August 2023, the Company and Weigao Holding entered into a supplemental agreement to (i) extend the agreement term under the Purchase Framework Agreement for two years to 31 December 2025; and (ii) propose new annual caps in respect of the purchases of the products under the Purchase Framework Agreement (the “**Products**”) of RMB1,500 million for each of the financial years ending 31 December 2024 and 2025. All other terms as stipulated in the Purchase Framework Agreement remained unchanged.

Upon recent review of the Group’s business development, it is anticipated that the Company will continue to procure the Products from Weigao Holding Group in the near future. Given that the term of the existing Purchase Framework Agreement will expire on 31 December 2025, the Company and Weigao Holding renewed the agreement by entering into the Supplemental Purchase Framework Agreement on 28 November 2025 to (i) extend the agreement term for two years to 31 December 2027; (ii) propose new annual caps of RMB1,100.0 million and RMB1,210.0 million for each of the financial years ending 31 December 2026 and 2027, respectively; and (iii) change the payment terms from payable in advance before delivery or within six months from the date of acceptance of the goods to payable in advance before delivery or within one to six months from the date of acceptance of the goods. Except for the extension of the duration of the agreement and the proposition of the new annual caps for the years ending 31 December 2026 and 2027 and the revision of the payment terms, all other terms as stipulated in the Purchase Framework Agreement remained unchanged.

On the other hand, on 16 November 2021, the Company has entered into the Logistic Support Services Framework Agreement with the Logistic Company in relation to the provision of logistic support services by Logistic Company Group. On 30 August 2023, the Company and the Logistic Company entered into a supplemental agreement to (i) extend the agreement term under the Logistic Support Services Framework Agreement for two years to 31 December 2025; (ii) propose new annual caps for the logistic support services (the “**Logistic Support Services**”) of RMB4,400 million and RMB5,200 million for the financial years ending 31 December 2024 and 2025, respectively; and (iii) adjust the pricing of the logistic service fee from 3% of the total amount settled by Logistic Company Group for sales to customers through Logistic Company Group to not more than 3%. All other terms as stipulated in the Logistic Support Services Framework Agreement remained unchanged.

Upon recent review of the Group's business development, it is anticipated that the Company will continue to procure the Logistic Support Services from Logistic Company in the near future. Given that the term of the existing Logistic Support Services Framework Agreement will expire on 31 December 2025, the Company and the Logistic Company entered renewed the agreement by entering into the Supplemental Logistic Support Services Framework Agreement on 28 November 2025 to (i) extend the agreement term for two years to 31 December 2027; and (ii) propose new annual caps of RMB3,720.0 million and RMB4,150.0 million for each of the financial years ending 31 December 2026 and 2027, respectively, all other terms as stipulated in the Logistic Support Services Framework Agreement remained unchanged.

As at the Latest Practicable Date, Weigao Holding was interested in approximately 46.22% of the total issued share capital of the Company and is a controlling Shareholder within the meaning of the Listing Rules; and Logistic Company is a subsidiary of Weigao Holding. Accordingly, Weigao Holding and Logistic Company are connected persons of the Company and transactions contemplated under the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) and the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the relevant percentage ratios (as defined under the Listing Rules) in respect of each of the Proposed Annual Caps exceed 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, the Logistic Company, Mr. Long Jing, Mr. Cong Rinan, Mr. Chen Lin and their respective associates are required to abstain from voting on the resolutions to approve the Supplemental Purchase Framework Agreement, the Supplemental Logistic Support Services Framework Agreement (the **"Supplemental Agreements"**) and the Proposed Annual Caps at the EGM.

The Independent Board Committee comprising all independent non-executive Directors, namely Mr. Li Guohui, Mrs. Meng Hong, Mr. Li Qiang and Mr. Sun Heng, has been established to advise the Independent Shareholders as to whether the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) and the transactions contemplated thereunder, and the corresponding Proposed Annual Caps are fair and reasonable and, are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to voting at the EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these regards.

We have no relationship with or interest in the Company and any other parties to the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement) or the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement) 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 current appointment, no arrangements exists 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.

BASIS OF OUR OPINION

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

Our review and analyses were based upon, among others, the information provided by the Group including the Circular, the Purchase Framework Agreement (as supplemented by the Supplemental Purchase Framework Agreement), the Logistic Support Services Framework Agreement (as supplemented by the Supplemental Logistic Support Services Framework Agreement), the annual report of the Company for the year ended 31 December 2024 (the “**2024 Annual Report**”), the interim report of the Company for the six months ended 30 June 2025 (the “**2025 Interim 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.

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

As stated in the 2024 Annual Report, the Company is principally engaged in the research and development, production and sale of medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products, and operates financing business. For management purposes, the Group is currently organised into six operating divisions – medical device products, orthopaedic products, interventional products, pharma packaging products, blood management products and others.

(b) Financial highlights

Set out below is the summary of key financial information of the Group for the two years ended 31 December 2023 and 2024 as extracted from the 2024 Annual Report and the six months ended 30 June 2024 and 2025 as extracted from the 2025 Interim Report:

	Six months ended 30 June		Year ended 31 December	
	2025	2024	2024	2023
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	6,644	6,636	13,087	13,229
Gross profit	3,304	3,376	6,581	6,643
Profit for the period/year attributable to owners of the Company	1,008	1,108	2,067	2,002

For the six months ended 30 June 2025

As illustrated in the table above, the revenue of the Group experienced a slight increase of approximately 0.1% as compared to the six months ended 30 June 2024, while the gross profit and profit for the period attributable to owners of the Company experienced a slight decrease of approximately 2.1% and 9.0%, respectively, as compared to the six months ended 30 June 2024.

As stated in the 2025 Interim Report, the Group proactively responded to national and regional volume-driven procurements by lowering the selling prices of some of the products. The impact of such price cuts on gross profit margin was partially offset by the Group's reduction in production costs. Moreover, the impact of volume-driven procurements on operating profit was offset by the reduction in operating expenses.

For the year ended 31 December 2024

As illustrated in the table above, the revenue and gross profit of the Group experienced a slight decrease of approximately 1.1% and 0.9%, respectively, as compared to the year ended 31 December 2023. While the Group recorded a slight increase in profit for the year attributable to owners of the Company of approximately 3.2%, as compared to the year ended 31 December 2023.

Revenue derived from the sale of medical device products experienced a drop of approximately 6.4% to approximately RMB6,296.5 million, and remained the largest revenue-contributing segment. The decrease in revenue derived from the sale of medical device products was mainly driven by the decrease in pricing. The sale of pharmaceutical packaging products became the second-largest revenue-contributing segment after recorded an increase of approximately 12.6% in revenue to approximately RMB2,278.6 million. The increase in revenue derived from the sale of pharmaceutical packaging products was mainly driven by the increase in sales of prefilled syringes. Revenue derived from the sale of interventional products, the sale of orthopaedic products and the sale of blood management products amounted to approximately RMB2,195.7 million, RMB1,439.4 million and RMB876.8 million, respectively.

According to the 2024 Annual Report, the improvement in net profit of the Group for the year ended 31 December 2024 was principally attributable to the reduction in selling expenses of approximately RMB247.0 million and improvement in other income, gains and losses (which principally represented interest income, rebate of value added tax, government grants, net exchange gain/(loss), impairment losses on inventories and gain/(loss) from changes in fair value of financial instruments at fair value through profit and loss) of approximately RMB58.1 million, and partially offset by the increase in income tax expense of approximately RMB83.4 million and reduction in gross profit of approximately RMB62.4 million.

Set out below is the highlight of the financial position of the Group as at 30 June 2025 as extracted from the 2025 Interim Report:

	As at 30 June 2025 RMB'million (Unaudited)
Non-current assets	15,438
Current assets	20,704
Current liabilities	5,556
Non-current liabilities	4,891
Net assets	25,695

According to the 2025 Interim Report, the Group maintained a strong net current assets and net assets position as at 30 June 2025. The largest non-current asset item of the Group was its property, plant and equipment which accounted for approximately 44.3% of its non-current assets, followed by goodwill which accounted for approximately 24.4% of its non-current assets. The largest current asset item of the Group was cash and bank balances which accounted for approximately 43.2% of its current assets and followed by trade and other receivables which accounted for approximately 39.6% of its current assets. The largest current liability item of the Group was trade and other payables which accounted for approximately 75.7% of its current liabilities. The largest non-current liability item of the Group was non-current borrowings (which mainly represented loan from International Finance Corporation with outstanding principal amount repayable after five years of approximately RMB1.8 billion and bank borrowings with outstanding principal amount repayable within one to three years of approximately RMB1.7 billion) which accounted for approximately 71.3% of its non-current liabilities. Except for the increase in non-current liabilities from approximately RMB3.3 billion as at 31 December 2024 to approximately RMB4.9 billion as at 30 June 2025 mainly attributable to the increase in non-current portion of borrowings from approximately RMB1.8 billion as at 31 December 2024 to approximately RMB3.5 billion as at 30 June 2025, and the reduction of current liabilities from approximately RMB6.1 billion as at 31 December 2024 to approximately RMB5.6 billion as at 30 June 2025 mainly attributable to the decrease in current portion of borrowings from approximately RMB1.2 billion as at 31 December 2024 to approximately RMB0.9 billion as at 30 June 2025, there were no material movement of major assets and liabilities of the Group as at 30 June 2025, as compared to 31 December 2024.

Meanwhile, as further stated in the 2024 Annual Report, the impact of the centralized volume-based procurement policy in public hospitals in China on the prices and profits of certain products of the Company has gradually stabilized. For example, as further advised by the Company, such products include peripheral venous catheters in public hospitals, a disposable sterile medical device and a major procurement product of hospitals. The Group has adopted a “compensating price with volume, reducing costs to strengthen the profit” tactic to secure orders with larger volume but lower unit prices. Following a relatively significant reduction in unit price in 2023, as compared to 2022, the Group further reduced the unit price of the relevant products in 2024, but with a lesser reduction (for example, the unit price of a product sold to a public hospital reduced by approximately 37% from 2022 to 2024, among which approximately 23% reduction was made in 2023 and the remaining reduction incurred in 2024; while in the meantime, the sales volume increased by approximately 31% from 2022 to 2024). The Company regards this policy as a normalized measure in the PRC healthcare market, and proactively seeks to expand its market share and enhance competitiveness by participating in bidding and optimizing market strategies. Certain macroeconomic factors continue to exert pressure on the Company’s performance, such as the persistently high US dollar interest rates, which pushed up the finance costs. Also, the prolonged accounts receivable period of some domestic medical institutions increased operating costs and lowered the asset turnover efficiency. The following is an ageing analysis of trade receivables of the Group net of allowance for credit losses as at 31 December 2024:

	As at 31 December 2024 RMB’million
0 to 90 days	3,201
91 to 180 days	1,186
181 to 365 days	928
Over 365 days	763
	6,078

As further advised by the Company, the prolonged accounts receivable period was attributable to a number of factors including, but not limited to, the recent macroeconomic environment, reform of medical insurance, the increase in financial burden of some domestic medical institutions due to the continuous increase in operating costs, the increase in payment approval procedures and timing required for certain sizeable medical institutions when their collaboration and business with the Group grows over time as more administrative procedures are generally required to approve larger payment amounts.

As stated in the 2025 Interim Report, in the domestic market, the diagnosis demand for medical institutions exhibited regional disparities and hierarchical difference, bringing both challenges and new development opportunities. Benefiting from continuous product innovation and channel optimization, the Group's core business segments achieved year-on-year sales growth. As further advised by the Company, its perioperative product portfolio for generic medical devices, which was launched since the end of last year, achieved rapid revenue growth of approximately 45% for the six months ended 30 June 2025, as compared to the corresponding period in 2024. In light of the in-depth facilitation of the centralized volume-based procurement policy for medical devices, certain products not subject to centralized procurement were gradually included in bulk procurement, exerting phasal pressure on the revenue growth of related business lines. For example, as mentioned above, the centralized volume-based procurement policy in public hospitals in China on the prices and profits of peripheral venous catheters has gradually stabilized. As further advised by the Company, peripheral venous catheters sold to non-public hospitals, like army hospitals, and syringe products sold to army hospitals were gradually included in bulk procurements. To tackle such challenge, the Group improved its supply chain management through various measures, successfully reducing costs while intensifying its efforts in market expansion to propel a rapid growth in sales of related products.

We have taken into account the above financials of the Group in assessing whether the purchase of Products from Weigao Holding Group and the receipt of Logistic Support Services from the Logistic Company Group are in the ordinary and usual course of business of the Group.

1.2 Information of the Weigao Holding Group and the Logistic Company

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

Logistic Company is a company incorporated under the laws of the PRC with limited liability in May 2006 with registered capital of RMB99.0 million and it is principally engaged in medical device supply chain logistic services in the PRC.

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

We have obtained a rating report issued by China Lianhe Credit Rating Co., Ltd., an independent credit rating institution in 2025 (the **“Rating Report”**) through our desktop research, the core business of Weigao Holding Group remained to be medical devices and pharmaceuticals, while its businesses covers a variety of areas including medical products, blood purification, orthopedics, biotechnology, pharmaceuticals, cardiac consumables, medical commerce, real estate, and finance. The consolidated total assets of Weigao Holding Group was approximately RMB77.7 billion as at 31 December 2024, and the consolidated revenue of Weigao Holding Group was approximately RMB29.2 billion for the year ended 31 December 2024. The long-term credit rating of the Weigao Holding Group was AA+ with rating outlook ranked “stable”. As further stated in the Rating Report, Weigao Holding Group is one of the leading manufacturers of infusion sets and syringes in the PRC. The domestic market share of high-end infusion consumables, blood equipment and consumables, and pharmaceutical packaging materials of the Weigao Holding Group is about 70%, while the domestic market share of orthopedic materials, blood purification products, and cardiac consumables of the Weigao Holding is about 30%.

Given Weigao Holding is the controlling Shareholder which held approximately 46.22% of the total issued share capital of the Company as at the Latest Practicable Date, Weigao Holding and Logistic Company are therefore connected persons of the Company pursuant to the meaning of the Listing Rules.

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

Based on the Board Letter, the Company has been conducting business with Weigao Holding and its subsidiaries and associates since the listing of the Company on the Stock Exchange in 2004. Weigao Holding is a conglomerate corporate and a reliable supplier as a long term and reputable business associate with profound experiences in sectors, including but not limited to the production of medical equipment, sanitary products, medical packaging materials and pharmaceuticals, hotel business, construction, and provision of catering services and logistic services. The Products purchased from Weigao Holding Group under the Purchase Framework Agreement, being medical based products, including but not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical and medical devices, are used for the Group's principal business segments, being the production of clinical care, medical testing, anesthesia and surgical related products and other consumables, orthopedic products, tumour and blood vessel interventional instruments, prefilled syringes and flushing syringes and blood collection, irradiation, storage, separation and sterilization products. Upon recent review of the Group's business development, the Group is committed to expanding its markets and its product lines and business segments. With the volume growth contributed by the expected expansion of customer base (with the addition 196 hospitals, 26 other medical institutions, and 174 distributors to the Group's PRC customer base for the year ended 31 December 2024), and its anticipation of the continuous usage/provision of the products/services by the Group and given that the relevant framework agreements will expire on 31 December 2025, the Directors proposed to renew all the relevant framework agreements to 31 December 2027 by entering into the Supplemental Agreements.

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

Our view

As set out under paragraphs under section 1.2 above, the business of Weigao Holding Group covered a variety of areas, and recorded strong total assets and revenue in 2024. Meanwhile, the Group has been conducting business with Weigao Holding and its subsidiaries and associates since the listing of the Company on the Stock Exchange in 2004, and the Purchase Framework Agreement and the Logistic Support Services Framework Agreement were first entered into in 2018 and 2021, respectively.

Furthermore, the Weigao Holding Group has a strong presence in the industry that, as stated in the Rating Report, the domestic market share of high-end infusion consumables, blood equipment and consumables, and pharmaceutical packaging materials of the Weigao Holding Group is about 70%, while the domestic market share of orthopedic materials, blood purification products, and cardiac consumables of the Weigao Holding Group is about 30%.

Taking into account the strong presence of Weigao Holding Group in the market, the Group had been purchasing from the Weigao Holding Group over the years and the principal business of the Weigao Holding Group includes logistic services, we concur with the reasons for entering into the Supplemental Agreements as stated above and consider that the purchase of Products from Weigao Holding Group and the receipt of Logistic Support Services from the Logistic Company Group are in the ordinary and usual course of business of the Group.

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

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

3.1 Purchase Framework Agreement

Dates of agreement:	5 December 2018 (as supplemented by supplemental agreements dated 27 September 2019, 18 December 2019, 26 August 2020, 28 October 2020, 16 November 2021, 30 August 2023 and 28 November 2025)
Parties:	(1) the Company; and (2) Weigao Holding
Terms:	Initially three years from 1 January 2019 to 31 December 2021, previously extended to 31 December 2025, and is currently proposed to extend to 31 December 2027 pursuant to the Supplemental Purchase Framework Agreement

Subject matter:	Purchases of medical based products, including but not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical and medical devices
Pricing policy:	Prices and terms of purchase with respect to the Products sold by Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms, negotiated on an arm's length basis and at prices and terms no less favourable to the Group than those available to independent third parties by Weigao Holding Group.
Payment terms:	The purchase amount of the Products shall be payable by the Group in advance before delivery or within one to six months from the date of acceptance of the goods, depending on the types of the Products. The payment terms for the purchase of the Products by the Group shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable to the Group than those given to independent third parties by Weigao Holding Group.

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

Furthermore, according to the Group's internal control measures in respect of making purchases of the Products by the Group from the Weigao Holding Group, we noted that designated staff has been assigned to compare the pricings and terms of the products or services offered by Weigao Holding Group to those charged or quoted by at least two independent suppliers for similar products or services and make sure that the pricings and terms of the products or services charged by Weigao Holding Group are no less favourable to the Group than those offered by independent suppliers. The comparison will be submitted to a finance manager of the Company for approval. Further information of internal control measures in respect of the purchase of the 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.

In order to assess the fairness and reasonableness of the terms of the purchase of the Products by the Group from the Weigao Holding Group, we have selected a product purchased by the Group from the Weigao Holding Group from each of the three largest revenue contributing product categories for each of the six months ended 30 June 2024, 31 December 2024 and 30 June 2025 (the "**Review Period**") on a random basis, and obtained and reviewed the relevant value added tax invoice ("**VAT Invoice**") as supporting document of the unit pricing. We consider the selection basis of the sample documents to be fair and representative, as they give a general idea on the purchase transactions between the Group and Weigao Holding Group for different products of each of the three largest product categories in terms of purchase amount during the Review Period. Given the Review Period has covered most of the periods under the extended duration of the relevant supplemental agreement dated 30 August 2023 and taking into account the purpose of reviewing the samples, we considered that the Review Period is sufficient and appropriate for the purpose of our assessment.

We have compared the relevant unit price as stated the VAT Invoice with the unit price of the same product sold by members of the Weigao Holding Group to two other independent customers during the similar period by further obtaining and reviewing the relevant VAT Invoice of the transaction and compared the payment terms of the these transactions by obtaining and reviewing the relevant agreements. Based on our review of the aforesaid, we noted that the unit price of products and the payment terms offered by the Weigao Holding Group to the Group in the samples were no less favourable to the Group than those offered by Weigao Holding Group to its independent customers.

We have further selected five transactions among the selected samples, and obtained and reviewed the VAT Invoice regarding purchases from independent suppliers by the Group. We noted that the price charged by Weigao Holding Group is not higher than that charged by the independent suppliers in the transaction reviewed and the payment term offered by the independent suppliers are not better than the payment term offered by Weigao Holding Group.

Meanwhile, we noted that the amended payment terms under the Supplemental Purchase Framework Agreement, being payable by the Group in advance before delivery or within one to six months from the date of acceptance of the goods, fall within the existing payment terms, being payable by the Group in advance before delivery or within six months from the date of acceptance of the goods.

3.2 Logistic Support Services Framework Agreement

Dates of agreement:	Logistic Support Services Framework Agreement: 16 November 2021 (as supplemented by the supplement agreements dated 30 August 2023 and 28 November 2025)
Parties:	(1) the Company; and (2) Logistic Company
Terms:	Initially two years from 1 January 2022 to 31 December 2023, previously extended to 31 December 2025, and is currently proposed to extend to 31 December 2025 according to the Supplemental Logistic Support Services Framework Agreement

Subject matter:	Provision of integrated medical device supply chain logistic services by the Logistic Company Group to the Group
Pricing policy:	Logistic Company Group is entitled to not more than 3% of the ultimate price paid by hospitals as logistic service fees. Logistic Company Group should settle the remaining at least 97% of the ultimate price paid by hospitals (the " Settlement Amount ") with the Group on a back-to-back basis. The Logistic Support Services cover over 35 provinces in the PRC. The pricing of the logistic service fee shall be fair and reasonable and shall not be higher than the pricing of similar logistic services provided by independent third parties to the Group prevailing at the time of entering into the Supplemental Logistic Support Services Framework Agreement. The Group shall compare the rates and terms of the services offered by Logistic Company Group to market rates and terms from time to time to ensure the terms (including pricing and payment) contemplated under the Supplemental Logistic Support Services Framework Agreement are on normal commercial terms.
Payment terms:	Logistic Company Group should pay the Settlement Amount to the Group within 30 days from the date of receipt of the payment from the hospitals. The payment terms for the logistic services shall be negotiated on arm's length basis between the parties thereto and be determined based on normal commercial terms. The terms shall be no less favourable to the Group than those given to independent third parties by Logistic Company Group.

According to the Logistic Support Services Framework Agreement, the logistic service fee charged by Logistic Company Group represents not more than 3% of the total amount paid by customers. The logistic service fee of not more than 3% is determined by the Company and Logistic Company after arm's length negotiations and with reference to (i) 3 quotations from independent logistic operators provided to the Company, (ii) the market fees charged by other independent logistic operators providing similar services in the six months period ended 30 June 2025 as well as (iii) the fees charged by Logistic Company to its independent customers in its ordinary course of business. The Company compared the fee charged by Logistic Company with the fees of at least three independent suppliers at the time of entering into the Supplemental Logistic Support Services Framework Agreement to make sure the fee offered by Logistic Company is no less favourable to the Group than market rate. The Company will also compare the market prices and payment terms to the pricings and payment terms of the Logistic Support Services offered by Logistic Company Group from time to time (and no less frequent than on a half-yearly basis). In the event that the pricings and payment terms of the Logistic Support Services offered by Logistic Company Group are found to be less favourable to the Group, the Company will timely negotiate with Logistic Company Group to adjust, and in any event before making further orders with Logistic Company Group for their Logistic Support Services.

Furthermore, according to the Group's internal control measures in respect of the provision of the Logistic Support Services by the Logistic Company Group to the Group, we noted that designated staff has been assigned to compare the pricings and terms of the Logistic Support Services provided by Logistic Company Group to those charged or quoted by at least two independent providers for similar services and make sure that the pricing and terms of the Logistic Support Services offered by Logistic Company Group are no less favourable than those offered by independent logistic service providers. The comparison will be submitted to a finance manager of the Company for approval. Further information of internal control measures in respect of the procurement of the Logistic Support 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 Support Services, we have selected a product sold by the Group through the Logistic Support Service from each of the three largest ultimate customers for each of the six months ended 30 June 2024, 31 December 2024 and 30 June 2025 on a random basis. We consider the selection basis of the sample documents to be fair and representative as they give a general idea on the sale of the Group's products to its major customers using the Logistic Support Services provided by the Logistic Company Group during the Review Period. Given the Review Period has covered most of the periods under the extended duration of the relevant supplemental agreement dated 30 August 2023 and taking into account the purpose of reviewing the samples, we considered that the Review Period is sufficient and appropriate for the purpose of our assessment.

In respect of the sample transaction documents obtained, we have compared the pricing and payments terms provided by Logistic Company Group against the pricing and payment terms of similar logistic services procured by the Group from two independent logistic service providers in the medical device industry during the same periods. Based on our review of the aforesaid, we noted that (i) the logistic service fee charged by the Logistic Company Group in the samples are not more than 3%; and (ii) the logistic service fees offered by Logistic Company Group to the Group in the samples obtained were not higher than logistic service fee rates offered by independent logistic services providers.

Regarding the payment terms offered by the Logistic Company Group, we have, on a random basis, obtained and reviewed two agreements regarding the provision of Logistic Support Services by the Logistic Company Group to an independent third party during the Review Period, and noted that the payment term is the same as the payment term under the Logistic Support Services Framework Agreement. We consider these two documents to be fair and representative, as they gave a general idea on how the Logistic Company Group charged its independent customers regarding the provision of logistic support services.

We noted that the payment term under the Logistic Support Services Framework Agreement is within 30 days from the date of receipt of the payment from the hospitals, while the payment terms with the two independent logistic services providers are (i) 360 days from the date of recording of relevant transaction by the hospital with invoice issued; and (ii) 120 days from the date of receipt of invoice. We noted from the Rating Report that the accounts receivable turnover of Weigao Holding Group for 2023 and 2024 were 2.39 times and 2.44 times, respectively (representing creditor turnover days of approximately 152.7 days and 149.6 days, respectively). Based on the aforesaid and taking into account the payment term under the Logistic Support Services Framework Agreement, the payment term with the Logistic Company Group falls within the range of payment terms with the two independent logistic services providers.

Based on the samples reviewed, we consider that the terms of the Logistic Support Services Framework Agreement (including the logistic service fee charged by Logistic Company Group of not more than 3% and payment terms) are on normal commercial terms or better to the Group, fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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 years ending 31 December 2025; (ii) the historical transaction amounts for each of the two years ended 31 December 2024 and the ten months ended 31 October 2025; (iii) the utilisation rates of the historical or existing annual caps; and (iv) the Proposed Annual Caps in respect of the purchases of Products (the “**Proposed Purchase Caps**”) by the Group from the Weigao Holding Group for each of the two years ending 31 December 2027:

	For the year ended/ending 31 December				
	2023	2024	2025	2026	2027
	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>
Historical or existing annual caps	1,500.0	1,500.0	1,500.0	N/A	N/A
Historical transaction amounts	1,201.8	892.0	701.7 (up to 31 October 2025)	N/A	N/A
Utilisation rate for the year	80.1%	59.5%	56.1% (up to 31 October 2025) (Note)	N/A	N/A
Proposed Purchase Caps	N/A	N/A	N/A	1,100.0	1,210.0

Note: The utilization rate for the ten months ended 31 October 2025 was calculated by annualising the transaction amount for the ten months ended 31 October 2025 and compared with the existing annual cap for the year ending 31 December 2025.

As stated in the Board Letter, the Proposed Purchase Caps have been determined with reference to factors including, (i) the historical transaction amount of approximately RMB892.0 million, RMB397.0 million and RMB701.7 million under the Purchase Framework Agreement for the year ended 31 December 2024, the six months ended 30 June 2025 and the period from 1 January 2025 to 31 October 2025, respectively; and (ii) the anticipated demand for products provided by Weigao Holding Group for the years ending 31 December 2026 and 2027 after taking into account the nature of the products, the market development trend as well as the expected business development of the Group; (iii) the pricing of the Products to be provided by Weigao Holding Group; and (iv) a buffer amount of approximately 10% in its calculation. We also noted that the Proposed Purchase Caps for the year ending 31 December 2027 represented a growth of approximately 10.0% as compared to that for the year ending 31 December 2026. As further stated in the Board Letter, it is expected that the demand for some other high-end medical devices, including clinical care, medical testing equipment, anesthesia and surgical-related products, would continue to increase in the next two years and, as the aging population and escalating health awareness among residents drove structural changes in the market demand for medical devices, Consumers' demand for such high-end medical devices was increasing as time goes by. This required the Group to keep up with market development more precisely and provide diversified products and services. Assuming the pricing of the Products remains stable, it is anticipated that the Proposed Annual Caps for each of the years ending 31 December 2026 and 2027 would be RMB1,100.0 million and RMB1,210.0 million respectively.

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

According the article "Development Status of our country's Medical Device Industry in 2024*" ("2024年我國醫療器械產業發展現狀") published by the Medical Economic Newspaper* (醫藥經濟報, an integrated media platform in China's pharmaceutical industry, supervised by the National Medical Products Administration and hosted by the NMPA Southern Medicine Economic Research Institute (the "Southern Medicine Economic Research Institute")) on 3 March 2025¹ (the "March Article"), the medical device industry continue to face relatively large downward pressure in 2024 due to factors such as volume-based procurement. However, on the other hand, steady growth in domestic medical demand and a strong recovery in device exports shall support the industry's steady development.

¹ https://www.yyjjb.com.cn/yyjjb/202503/202503031032493249_20960.shtml

Meanwhile, according to the March Article, the globalization of Chinese medical device companies has entered a new stage. Overseas market segmentation strategies are being further implemented, and product “export” paths are becoming more diverse. While the “scale for market” strategy is still the primary strategy for mid- and low-end products, localization is gradually increasing. Companies are establishing their own channels through local factories, promoting lean cost control and localized product adaptation to expand market share.

Further, according to the article “2025 Medical Device Economic Information Conference – Academician Zheng Hairong, Director of the National Innovation Center, delivered a keynote speech”² (“2025醫療器材經濟信息發佈會召開！國創中心主任鄭海榮院士作主題演講”) published in the website of the National Innovation Center for Advanced Medical Devices on 23 October 2025² (the “**October Article**”) regarding the 2025 Medical Device Economic Information Conference held by the Southern Medicine Economic Research Institute in October 2025, there are steady increases in domestic demand for medical products and prominent enhancement in competitiveness of mid- to high-end products. It is estimated by the Southern Medicine Economic Research Institute that the revenue of medical device manufacturers in the PRC will increase by approximately 5% in 2025, as compared to 2024.

Based on the aforesaid, we consider that the medical device industry of the PRC may experience moderate growth in the coming years.

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

We noted that the utilisation rates for the purchase of the Products for the two years ended 31 December 2024 was approximately 80.1% and 59.5%, respectively, and that for the ten months ended 31 October 2025 (calculated by annualizing the amount) was approximately 56.1%. As advised by the management of the Group, the relatively low utilization rate for the year ended 31 December 2024 and the ten months ended 31 October 2025 were mainly attributable to the continuous pricing pressure faced by the Group, as a result of which the Group recorded decline in revenue over the past three years despite the sales volumes of products of each business segment of the Group maintained an increasing trend as stated in the 2024 Annual Report.

² <https://www.nmed.org.cn/Content/xwzx/xw/2025-10/147219.html>

(d) Our view

We noted that the actual transaction for the ten months ended 31 October 2025 amounted to approximately RMB701.7 million, and the annualised amount of which is approximately RMB842.0 million. As stated above, the impact of the centralized volume-based procurement policy in public hospitals in China on the prices of certain products of the Company has gradually stabilized and there was a significant reduction in the decline rate of actual transaction amount under the Purchase Framework Agreement from approximately 25.8% for 2024 to approximately 5.6% for 2025 (based on the annualised amount), and according to the October Article, it is estimated that the revenue of medical device manufacturers is expected to increase by approximately 5% in 2025 as mainly driven by increases in domestic demand for medical products and prominent enhancement in competitiveness of mid- to high-end products.

We further noted from the announcement of the Company dated 31 October 2025 regarding the proposed transaction which involves the acquisition of Shandong Weigao Blood Purification Products Co., Ltd.* (山東威高血液淨化製品股份有限公司) (“**Weigao Blood Purification**”, together with its subsidiaries, the “**Weigao Blood Purification Group**”) that upon completion of the relevant transaction, Weigao Blood Purification may become a non-wholly-owned subsidiary of the Company (which the Company held 23.52% equity interest in). Based on the prospectus of Weigao Blood Purification dated 14 May 2025 (the “**Weigao Blood Purification Prospectus**”), purchase of the Weigao Blood Purification Group from Shandong Weigao Nephrology Medical Device Co., Ltd.* (山東威高腎科醫療器械有限公司) (“**Weigao Nephrology Medical**”), a subsidiary of the Weigao Holding, amounted to approximately RMB86.2 million, RMB107.8 million and RMB98.5 million for the year ended 31 December 2022, 2023 and 2024, respectively. Weigao Blood Purification has further undertaken that starting from, and including, 2024, the annual purchase from Weigao Nephrology Medical shall not exceed RMB100.0 million (exclusive of tax).

Taking into account the annualised purchase amount for 2025, the expected increase in revenue of medical device manufacturers as stated above, the maximum annual purchase amount from Weigao Nephrology Medical and value added tax rate of 13% and a buffer of 10%, the estimated purchase amount for the year ending 31 December 2026 is approximately RMB1,096.8 million, which already represented approximately 99.7% of the Proposed Purchase Cap for the year ending 31 December 2026. Further, given (i) the actual transaction amount had reached over RMB1,200.0 million for the year ended 31 December 2023; (ii) the Proposed Purchase Cap for the year ending 31 December 2026 only represented approximately 16.9% of the cost of sales of the Group for the year ended 31 December 2025; and (iii) the need to cater for unforeseeable events that boost future purchases of the Products, we considered that the Proposed Purchase Cap for the year ending 31 December 2026 of RMB1,100 million is reasonable.

The growth of the Proposed Purchase Caps for the year ending 31 December 2027 as compared to 2026 mainly represented the estimated growth driven by industry and the buffer for transactions.

Taking into account of the above, in particular (i) the expected moderate growth of the PRC medical device industry and the gradually stabilised impact brought by the centralized volume-based procurement policy in public hospitals in China; (ii) the recent financial performance and outlook of the Group; (iii) historical transaction amount under the Purchase Framework Agreement for the years ended 31 December 2023 and 2024 and the ten months ended 31 October 2025; and (iv) a reasonable buffer to cater for unforeseeable events that boost future purchases of Products, we consider that the Proposed Purchase Caps are fair and reasonable.

4.2 Proposed Logistic 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 years ending 31 December 2025; (ii) the actual amounts settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group (i.e. the net amount after deducting not more than 3% logistic service fee from the gross amount paid by customers) (the "Settled Amount") for the two years ended 31 December 2024 and the ten months ended 31 October 2025; (iii) the corresponding logistic service fee charged by Logistic Company Group for the two years ended 31 December 2024 and the ten months ended 31 October 2025; (iv) the utilisation rates of the historical or existing annual caps; and (v) the Proposed Annual Caps in respect of the provision of the Logistic Support Services by Logistic Company Group to the Group (the "Proposed Logistic Caps") for each of the two years ending 31 December 2027:

	For the year ended/ending 31 December				
	2023	2024	2025	2026	2027
	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>	<i>Approximately RMB million</i>
Existing annual caps					
Settled Amount	6,000.0	4,400.0	5,200.0	N/A	N/A
Logistic service fee	186.0	132.0	156.0	N/A	N/A
Historical transaction amounts					
Settled Amount	3,542.5	3,169.2	2,624.5 (up to 31 October 2025)	N/A	N/A
Logistic service fee	105.9	73.5	60.4 (up to 31 October 2025)	N/A	N/A
Utilisation rate for the year					
Settled Amount	59.0%	72.0%	60.6% (up to 31 October 2025) (Note)	N/A	N/A
Logistic service fee	56.9%	55.7%	46.5% (up to 31 October 2025) (Note)	N/A	N/A
Proposed Logistic Caps					
Settled Amount	N/A	N/A	N/A	3,720.0	4,150.0
Logistic service fee	N/A	N/A	N/A	111.6	124.5

Note: The utilization rate for the ten months ended 31 October 2025 was calculated by annualising the transaction amount for the ten months ended 31 October 2025 and compared with the existing annual cap for the year ending 31 December 2025.

As stated in the Board Letter, the Proposed Logistic Caps are determined with reference to factors including, (i) the historical amounts of approximately RMB3,169.2 million, RMB1,687.5 million and RMB2,624.5 million settled by Logistic Company Group for the Group's sales to customers through Logistic Company Group for the year ended 31 December 2024, the six months ended 30 June 2025 and the period from 1 January 2025 to 31 October 2025, respectively; (ii) the expected sales of products to customers using the Logistic Support Services provided by Logistic Company Group for each of the years ending 31 December 2026 and 2027 taking into account the expansion of customer base (with the addition 196 hospitals, 26 other medical institutions, and 174 distributors to the Group's PRC customer base for the year ended 31 December 2024); (iii) the expected growth in the PRC medical device industry. In this connection, the Company noted that the PRC government continued to intensify its supporting efforts for innovative medical device and equipment and encouraged enterprises to increase research and development investment to promote the domestic substitution of high-end medical devices. The steady growth in domestic medical demand and a strong recovery in device exports will continue to support the industry's steady development, which will in turn lead to an expected increase in the demand for logistic support services by Logistic Company Group to the Group; (iv) the expected business development of the Group, taking into account the Group's continued efforts to expand its markets and its product lines and business segments (over 100 new products are expected to receive regulatory approval and to be launched progressively over the next three years, including infusion and urinary consumables etc.); (v) the number of PRC customers which the Group has sold or expects to sell the products to using the Logistic Support Services provided by Logistic Company Group; (vi) a buffer amount of approximately 10% in its calculation; and (vii) the pricing of the Logistic Support Services to be provided by Logistic Company Group of not more than 3% of the ultimate price paid by customers. We also noted that the Settled Amount under the Proposed Logistic Caps for the year ending 31 December 2027 represented a growth of approximately 11.6% as compared to that for the year ending 31 December 2026.

(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 medical device industry of the PRC may experience moderate growth in the coming years.

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

We noted that the utilisation rates for the Settled Amount for the two years ended 31 December 2024 was approximately 59.0% and 72.0%, respectively, and that for the ten months ended 31 October 2025 (calculated by annualizing the amount) was approximately 60.6%. Meanwhile, the utilisation rates for the logistic service fee for the two years ended 31 December 2024 was approximately 56.9% and 55.7%, respectively, and that for the ten months ended 31 October 2025 (calculated by annualizing the amount) was approximately 46.5%. As advised by the management of the Group, the relatively low utilization rate for the logistic service fee for the year ended 31 December 2024 despite the relatively high utilization rate for the Settled Amount was mainly attributable to the fact that the logistic service fee cap was determined based on the maximum fee rate of 3% while the average logistic service fee was only approximately 2.3% and 2.3% during the year ended 31 December 2024 and the ten months ended 31 October 2025, respectively, and the longer timing required and administrative barriers for the Logistic Company Group to be registered as the registered logistic operator of hospitals. We noted that the relatively low utilisation rates for the Settled Amount and the logistic service fee were in line with the decrease in pricing of products through the centralized volume-based procurement policy in public hospitals.

(d) Our view

We noted that the annualised Settled Amount for the year ending 31 December 2025 (annualised based on the actual Settled Amount for the ten months ended 31 October 2025) represented a very slight drop of approximately 0.6% as compared to the actual Settled Amount for the year ended 31 December 2024. As stated above, the impact of the centralized volume-based procurement policy in public hospitals in China on the prices of certain products of the Company has gradually stabilized, and according to the October Article, it is estimated that the revenue of medical device manufacturers is expected to increase by approximately 5% in 2025. Taking into account the annualised Settled Amount for 2025, the expected increase in revenue of medical device manufacturers and a buffer of 10%, the estimated Settled Amount for the year ending 31 December 2026 is approximately RMB3,637.6 million, which represented approximately 97.8% of the Settled Amount for the year ending 31 December 2026 under the Proposed Logistic Caps.

We further noted that the Settled Amount for the year ending 31 December 2026 under the Proposed Logistic Caps only represented a growth of approximately 7.5% on top of the forecasted Settled Amount for the year ending 31 December 2025, and the Settled Amount for the year ending 31 December 2027 under the Proposed Logistic Caps represented a growth of approximately 11.6%. We noted that the actual Settled Amount recorded a relatively considerable decrease from 2023 to 2024, while the annualised Settled Amount for the year ending 31 December 2025 (annualised based on the actual Settled Amount for the ten months ended 31 October 2025) represented a very slight drop of approximately 0.6% as compared to the actual Settled Amount for the year ended 31 December 2024, which was consistent with the 2024 Annual Report regarding the impact of the centralized volume-based procurement policy. Taking into account such marginal decrease in annualised Settled Amount for the year ending 31 December 2025, and, as stated in the October Article, there are steady increases in domestic demand for medical products, the nature of the centralized volume-based procurement policy in public hospitals in China that the public hospitals have their own designated logistic service providers which the suppliers (including the Group) have to cooperate with, and cope with a reasonable buffer, we consider that the forecasted growth in the Settled Amount under the Proposed Logistic Cap for the years ending 31 December 2026 and 2027 are not unreasonable.

On the other hand, we noted that the logistic service fee under the Proposed Logistic Caps for each of the years ending 31 December 2026 and 2027 remained to be 3% of the Settled Amount under the Proposed Logistic Caps. We consider that such rate was set with reference to the pricing policy under the Supplemental Logistic Support Services Framework Agreement and it is not unreasonable to set the expected logistic service fee cap based on such rate.

Taking into account of the above, we concurred with the Company that the Proposed Logistic 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 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 purchase of products or services from Weigao Holding Group by the Group:

- before ordering, a designated staff (being a procurement manager from the relevant business units of the Group) should compare the pricings and terms of the Products to be purchased to those charged or quoted by at least two independent suppliers for similar products and make sure that the pricings and terms of the Products charged by Weigao Holding Group are no less favourable to the Group than those offered by independent suppliers. The comparison will be submitted to a finance manager of the Company for approval; and
- a finance officer is responsible for monitoring the transaction amount from time to time (no less frequent than on a quarterly basis). In case, by quarter-end, the transaction amount has approached a utilization rate of a multiple 25% of the relevant annual cap of the year, the finance manager will promptly review the underlying reasons, evaluate whether any revision to the annual cap is necessary and report to the Board (if necessary).

(b) The Logistic Support Services

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

- prior to entering into any logistic support services agreements (including any renewal or supplemental agreements), a designated staff (being a procurement manager from the relevant business units of the Group) shall review and assess the Logistic Support Services required after considering the delivery size, delivery location, timing required and any special requirements (for example, as to storage of special medical goods or equipment). Besides, a designated staff (being a procurement manager from the relevant business units of the Group) should compare the pricings and terms of the Logistic Support Services provided by Logistic Company Group to those charged or quoted by at least two independent providers for similar services and make sure that the pricing and terms of the Logistic Support Services offered by Logistic Company Group are no less favourable to the Group than those offered by independent logistic service providers. The comparison will be submitted to a finance manager of the Company for approval;
- from time to time (no less frequent than on a half-yearly basis), a finance officer should consult the market price movement and review and compare the market price to the pricings and terms of the services offered by Logistic Company Group to make sure that the pricings and terms offered by Logistic Company Group are no less favourable to the Group than those offered by other independent logistic service providers; and
- a finance officer is responsible for monitoring the transaction amount from time to time (no less frequent than on a quarterly basis). In case, by quarter-end, the transaction amount has approached a utilization rate of a multiple of 25% of the relevant annual cap of the year, a finance manager will promptly review the underlying reasons, evaluate whether any revision to the annual cap is necessary and report to the Board (if necessary).

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 Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement” and noted that they are in line with the pricing policies as described above.

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 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
- (d) 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 further noted that as stated in the annual report of the Company for the year ended 31 December 2023 and 2024 Annual Report, the auditors of the Company confirmed that nothing has come to their attention that causes them to believe the relevant continuing connected transactions (including the purchase of Products by the Group from the Weigao Holding Group and the provision of Logistic Support Services by the Logistic Company Group to the Group in the years ended 31 December 2023 and 2024), among other things, were not, in all material respects, in accordance with the respective pricing policies and have not been entered into, in all material respects, 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.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider (i) the Continuing Connected Transactions under the Supplemental Purchase Framework Agreement and the Supplemental Logistic Support Services Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole; and (ii) 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



Terry Chu

Managing Director



Barton Lai

Director

Mr. Chu 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. Chu 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.