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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, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares in PW Medtech Group Limited (普华和顺集团公司), you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer, registered institution in securities, or other agent through whom the sale or transfer was affected for transmission to the purchaser or the transferee.

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PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SALES OF MEDICAL DEVICES AND NOTICE OF EGM

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



A letter from the Board is set out on pages 4 to 15 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 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 on Wednesday, August 31, 2022 at 10:00 a.m. (Hong Kong time) at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, PRC is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this Circular. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.pwmedtech.com).

Whether or not you intend to attend the EGM, you are requested to complete the form of proxy enclosed with the notice of the EGM in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the form of proxy will be returned before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the form of proxy will be returned on or after 15 August 2022) as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM (i.e. not later than 10:00 a.m. (Hong Kong time) on Monday, August 29, 2022) or the adjourned meeting (as the case may be). Completion and return of the form of proxy will not prevent the Shareholders from attending and voting in person at the EGM (or any adjournment thereof) should they so wish.

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 pandemic and with a view to minimize the Shareholders' and attendees' risk of infection, the Company will implement the following precautionary measures at the EGM:

- (1) the green code of the "Health Kit" electronic pass without abnormal health status must be presented;
- (2) proof of a negative COVID-19 test within 72 hours;
- (3) compulsory temperature screening/checks and compulsory health declaration. Anyone with a body temperature above 37.3°C or is exhibiting flu-like symptoms may be denied entry into the EGM venue and be requested to leave the EGM venue;
- (4) compulsory wearing of surgical face mask prior to admission and throughout the EGM;
- (5) a seat will be assigned to each attendee at the EGM venue to ensure social distancing;
- (6) no distribution of corporate gifts and no provision of refreshments or drinks or refreshment packs at the EGM venue; and
- (7) the regulations of Beijing Municipality and the Company's prevention and control measures against the COVID-19 pandemic must be strictly followed.

The above precautionary measures may be adjusted from time to time based on the requirements of local government. Attendees who do not comply with the above precautionary measures may be denied entry into the EGM venue, at the absolute discretion of the Company as permitted by law.

For the health and safety of Shareholders, the Company encourages Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy and to return their form of proxy by the time specified herein, or through HKSCC Nominees Limited by giving instructions to their brokers and custodians, instead of attending the EGM in person.

The Company will keep the evolving COVID-19 pandemic situation under review and may implement additional measures which it will announce closer to the date of the EGM (if any). Shareholders should check the website of the Company (www.pwmedtech.com) for future announcements and updates on the EGM arrangements.

August 11, 2022

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DEFINITIONS

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

“actual controller (實際控制人)”	the individual or entity that can control a company by way of investment, contract or other arrangements according to the Listing Rules of the Growth Enterprise Market (《創業板股票上市規則》) published by the Shenzhen Stock Exchange where Lepu Medical is listed
“Announcement Date”	July 5, 2022, being the date on which the Company published the announcement in relation to the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder
“Annual Caps”	the annual caps for the transactions contemplated under the Sales of Medical Devices Framework Agreement for the three financial years ending 31 December 2022, 31 December 2023 and 31 December 2024
“Board”	the board of directors of the Company
“Business Day(s)”	any day except Saturdays, Sundays and other days required by law or authorized by banks to suspend business in the PRC or Hong Kong
“Company”	PW Medtech Group Limited (普华和顺集团公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Pu”	Dr. Zhongjie Pu, the spouse of Ms. Yue’e Zhang and the actual controller of Lepu Medical
“Effective Date”	the effective date of the Sales of Medical Devices Framework Agreement, which is the date on which the Independent Shareholders approve the transactions contemplated under the Sales of Medical Devices Framework Agreement at the EGM
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

DEFINITIONS

“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Financial Adviser”	Zero2IPO Capital Limited, a company licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Independent Shareholders”	Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)
“Latest Practicable Date”	August 4, 2022
“Lepu Medical”	Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a joint stock company incorporated in the PRC on June 11, 1999 and listed on the Shenzhen Stock Exchange (stock code: 300003)
“Lepu Medical Group”	Lepu Medical and its subsidiaries
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Medical Products Processing Services Framework Agreement”	the medical products processing services framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the provision of medical products processing services by the Group to Lepu Medical Group

DEFINITIONS

“PRC”	The People’s Republic of China, which expression for the purpose of this circular, except where the context requires otherwise, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“R&D”	research and development
“Sales of Medical Devices Framework Agreement”	the sales of medical devices framework agreement dated July 5, 2022 entered into between the Company and Lepu Medical for the sales of medical devices from the Group to the Lepu Medical Group
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the equity interest of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Sichuan Ruijian”	Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司), a joint stock limited liability company established in PRC on August 6, 2013, a non-wholly owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD

PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

Executive Director:

Ms. Yue'e ZHANG

Non-executive Directors:

Mr. JIANG Liwei

Mr. LIN Junshan

Independent Non-executive Directors:

Mr. WANG Xiaogang

Mr. CHEN Geng

Ms. WANG Fengli

Registered Office:

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Cayman Islands

Principal Place of Business

in Hong Kong:

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

August 11, 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO SALES OF MEDICAL DEVICES**

1. INTRODUCTION

References are made to the announcement of the Company dated July 5, 2022 in relation to the sales of medical devices.

The purpose of this circular is to provide you, among other things, (i) further information of the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps); (ii) a letter from the Independent Board Committee containing its recommendations; (iii) a letter from the Independent Financial Adviser containing its advices; and (iv) the notice of the EGM.

The Board of the Company is pleased to announce that on July 5, 2022 (after trading hours), the Company entered into the Sales of Medical Devices Framework Agreement.

LETTER FROM THE BOARD

2. SALES OF MEDICAL DEVICES

A summary of the principal terms of the Sales of Medical Devices Framework Agreement is set out below:

Date

July 5, 2022

Parties

- A. the Company; and
- B. Lepu Medical

Subject matter and payment

The Group agreed to sell medical devices to Lepu Medical Group, including but not limited to dialyzers, infusion sets, intravenous cannulas and insulin injection needles and pens.

The members of both of the Group and Lepu Medical Group may enter into individual sales of medical devices agreements setting out specific terms of sales of medical devices, including the medical devices to be sold, price determination method, delivery method and payment arrangement. Such terms shall be on normal commercial terms (i.e. the transaction is on an arm's length basis or terms no less favourable to the Group than terms available to independent third parties) and consistent with the principles and the terms of the Sales of Medical Devices Framework Agreement. Lepu Medical Group shall make full payment in cash within a certain period of time upon receipt of the medical devices from the Group. Before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement, the Company will review and ensure the payment terms of such individual sales of medical devices agreements are on normal commercial terms. The credit period offered by the Group to Lepu Medical Group generally ranges from 60 to 150 days. However, depending on a number of reasons including (i) past settlement record; (ii) financial standing of the customer; and (iii) size of the orders placed by the customer, the credit period offered may accordingly be lengthened or shortened. The Group's accounting department monitors settlement status of customers, especially overdue status of trade receivables. In the event of prolonged overdue, the Group would determine follow-up actions to collect such overdue payment, such as communication with the customers and sending payment reminders.

During the period between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, to the Announcement Date, the credit period of the transactions between Sichuan Ruijian and Lepu Medical in relation to sales of the self-branded dialyzer products is 120 days, which is longer than that of the sales of OEM dialyzer products to independent third party distributors in India whose credit period is 75 days. Considering (i) the massive quantity of sales to Lepu Medical; (ii) promotion of self-branded

LETTER FROM THE BOARD

dialyzer products by Lepu Medical to enhance the brand value and overseas market influence of Sichuan Ruijian; and (iii) Lepu Medical is listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003) with transparent financial conditions, good reputation and credibility, the Board believes that 45 days longer credit period for Lepu Medical compared with that of the independent third party distributors in India is reasonable.

The Company will review and compare the credit period of the self-branded dialyzer products offered by the Group to Lepu Medical Group with at least two recent transaction records of self-branded dialyzer products offered by the Group to independent third-party customers, if available before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The credit period of the self-branded dialyzer products provided to Lepu Medical Group will not be longer than those offered to independent third party customers. In the event that the transaction records of the self-branded dialyzer products offered by the Group to independent third party customers were not available, the Company would obtain the quotations (including the credit period) for such products from at least two independent third party purchasers at arm's length negotiation and compare the credit period offered to Lepu Medical Group with such at least two quotation records from independent third party purchasers before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The credit period of the self-branded dialyzer products provided to Lepu Medical Group will not be longer than that obtained from the independent third party purchasers.

Term

The term of the Sales of Medical Devices Framework Agreement will commence from the Effective Date to December 31, 2024, subject to renewal for additional three years upon parties' mutual agreement and the Listing Rules.

Pricing Policy

The prices of the medical devices purchased by Lepu Medical Group under the Sales of Medical Devices Framework Agreement shall be determined with reference to the quantity of orders, the brand of products (e.g. self-branded products or OEM products) and the prevailing market prices of comparable medical devices from at least two independent third parties. The prices and other terms of the Group's sales of medical devices to Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

In order to ensure that the terms of the transaction under the Sales of Medical Devices Framework Agreement are fair and reasonable and in line with market practices, and that the terms of the transaction will be no less favorable to the Group than the terms of transactions between the Group and independent third parties, the Group has maintained regular contact with other medical devices companies in the market to keep abreast of market developments and the price trend of comparable products.

LETTER FROM THE BOARD

Sichuan Ruijian sells self-branded dialyzer products and OEM dialyzer products. During the period from 1 January 2019 to the Announcement Date, Sichuan Ruijian only sold self-branded dialyzer products to Lepu Medical Group. In respect of the self-branded dialyzer products, during the period from 1 January 2019 to the Announcement Date, Sichuan Ruijian did not sell self-branded dialyzer products to any other independent third parties in the Indian market. In respect of the OEM dialyzer products, during the period from 1 January 2019 to the Announcement Date, Sichuan Ruijian sold the OEM dialyzer products to three independent third party distributors in India. The price of self-branded dialyzers products sold to Lepu Medical Group was approximately 2.86% to 6.25% lower than that of OEM dialyzer products sold to such independent third party distributors in India than that of primarily due to (i) the massive quantity of sales to Lepu Medical Group which is much higher than that of the OEM dialyzer products sold to the independent third party distributors in India; (ii) the benefits that the promotion of Sichuan Ruijian's self-branded dialyzer products by Lepu Medical Group can enhance the brand value and overseas market influence of Sichuan Ruijian; and (iii) the fact that the hollow-fibre membrane of the self-branded dialyzer products is semi-dry membrane, while the hollow-fibre membrane of OEM dialyzer products is fully dry membrane. The production of fully dry membrane requires longer drying period, which leads to slightly more production cost.

The Company will review and compare the unit prices of the comparable products offered by the Group to Lepu Medical Group with at least two recent transaction records of comparable products offered by the Group to independent third-party customers, if available before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The prices of comparable products provided to Lepu Medical Group will not be lower than those offered to independent third-party customers. In the event that the transaction records of comparable products offered by the Group to independent third-party customers were not available, the Company would obtain the quotations for such products from at least two independent third-party purchasers at arm's length negotiation and compare the unit prices offered to Lepu Medical Group with such at least two quotation records from independent third-party purchasers before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The prices of comparable products provided to Lepu Medical Group will not be lower than the quotations obtained from the independent third-party purchasers.

Historical transaction amounts

For the three years ended December 31, 2021, the Group (excluding Sichuan Ruijian) did not sell medical devices to Lepu Medical Group. As such, there was no historical amount received by the Group from Lepu Medical Group in relation to sales of medical devices.

On February 28, 2022, the Group acquired 51% equity interests of Sichuan Ruijian, after which Sichuan Ruijian became a non-wholly owned subsidiary of the Company. During the three years ended December 31, 2021, Sichuan Ruijian sold medical devices to Lepu Medical

LETTER FROM THE BOARD

Group, mainly including dialysers. For illustration purpose only, the historical amounts received by Sichuan Ruijian from Lepu Medical Group for the three years ended December 31, 2021 were as follows:

	For the year ended December 31, 2019	For the year ended December 31, 2020	For the year ended December 31, 2021
Sales of medical devices by Sichuan Ruijian to Lepu Medical Group	RMB2,050,000	RMB7,150,000	RMB8,600,000

The historical transaction amount of the sales of medical devices transactions between Sichuan Ruijian and Lepu Medical Group between February 28, 2022, being the date of completion of the acquisition of Sichuan Ruijian and the Announcement Date was RMB2,347,600.

There will not be any sales of medical devices transactions between Sichuan Ruijian and Lepu Medical Group between the Announcement Date and the date of the EGM.

In order to comply with Rule 14A.36 of the Listing Rules, the Company will ensure that the sale of medical devices by Sichuan Ruijian after the Announcement Date are conditional on Independent Shareholders' approval. The term of the Sales of Medical Devices Framework Agreement will commence from the Effective Date to December 31, 2024. The Effective Date refers to the effective date of the Sales of Medical Devices Framework Agreement, which is the date on which the Independent Shareholders approve the transactions under the Sales of Medical Devices Framework Agreement at the EGM.

The Annual Caps and basis of determination

The table below sets out the Annual Caps for the total amount payable by Lepu Medical Group to the Group under the Sales of Medical Devices Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024, respectively:

	Proposed Annual Caps for the year ending December 31,		
	2022	2023	2024
Sales of medical devices by the Group to Lepu Medical Group	RMB33,100,000	RMB47,700,000	RMB72,300,000

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The Annual Caps for the aggregate amount receivable by the Group from the Lepu Medical Group were determined with reference to:

- (1) the expected significant increase of Lepu Medical's demand in India for dialyzers to be sold by Sichuan Ruijian:
 - (i) The Indian subsidiary of Lepu Medical entered into the sales of dialyzers agreement with a governmental institution in India in April 2022 in relation to high volume supply of dialyzers to such governmental institution in the next two years. Sichuan Ruijian is expected to benefit from such transaction, and the estimated sales of Sichuan Ruijian to Lepu Medical in 2022 and 2023 backed by such transaction are expected to be approximately RMB6.72 million and RMB7.98 million, respectively. The Indian subsidiary of Lepu Medical is expected to further bid for other procurement projects of dialyzers undertaken by local governments in India.
 - (ii) Lepu Medical has further expanded its sales network in India. Lepu Medical recently cooperated with a large dialyzer distributor in India on sales of dialyzers in India. The demand of Indian subsidiary of Lepu Medical for dialyzers from Sichuan Ruijian is expected to continue increasing, and the transaction amount with Lepu Medical due to this distributor is expected to be approximately RMB12.6 million for the four months ending 31 December 2022;
 - (iii) Sichuan Ruijian adjusted the business strategy in 2022 and plans to deepen the cooperation with Lepu Medical and strengthen the promotion of the self-branded dialyzer products in India. The transaction amount of dialyzers, excluding the increase stated in (i) and (ii) abovementioned, is expected to increase by 73.25% from RMB8.6 million for the year ended December 31, 2021 to RMB14.9 million for the year ending December 31, 2022 while the actual transaction amount for the period from January 1, 2022 to the Announcement Date was RMB5.27 million and the estimated transaction amount for the four months ending December 31, 2022 is RMB9.63 million. In addition, Sichuan Ruijian started to sell medical device accessories since March 2022 and the transaction amount of such accessories for the four months ending December 31, 2022 is expected to be approximately RMB0.68 million.
 - (iv) the Group is expected to sell medical devices to Lepu Medical since September 2022, including but not limited to infusion sets, intravenous cannulas, insulin injection needles and insulin injection pens and the transaction amount of such medical devices for the four months ending December 31, 2022 is expected to be approximately RMB0.38 million.

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- (2) the historical amount received by Sichuan Ruijian from Lepu Medical Group for the three years ended December 31, 2021; and
- (3) estimated buffer of 10% for fluctuation of market prices and change in specifications.

The growth rate of the Annual Caps is approximately 44.11% from the year of 2022 to the year of 2023 and approximately 51.57% from the year of 2023 to the year of 2024. Such significant increase is because the transaction amount of the dialyzer products from Sichuan Ruijian to Lepu Medical Group for Indian market is expected to be approximately RMB42.00 million and RMB63.00 million for the years ending December 31, 2023 and 2024, respectively, representing an estimated annual growth of approximately 45% from the year of 2022 to the year of 2023 and an estimated annual growth of approximately 50% from the year of 2023 and the year of 2024 in the Proposed Annual Caps, respectively. Such estimation is based on the business prospects of Sichuan Ruijian and Lepu Medical Group in India, which was driven by the development of the dialyzer market in India and the business expansion of Lepu Medical Group in the Indian market.

Reasons and Benefits of Entering into the Sales of Medical Devices Framework Agreement

The Company considers that the Sales of Medical Devices Framework Agreement will be beneficial to the Company's business development for the following reasons:

- (i) Lepu Medical Group has sales channels covering over 80 countries and regions. Leveraging on Lepu Medical's well-established product distribution network globally, entering into the Sales of Medical Devices Framework Agreement would facilitate the distribution and sales of the Group's products, which would not only provide a stable source of income to the Group and contribute to the implementation of the Group's sale plan but also enhance the brand value and overseas market influence of the Company;
- (ii) Prior to the acquisition of Sichuan Ruijian, Sichuan Ruijian had sold dialyzer products to the Indian subsidiary of Lepu Medical for the three years ended December 31, 2021. Upon acquisition of Sichuan Ruijian, Sichuan Ruijian became a non-wholly owned subsidiary of the Company. It would be beneficial for the Group's business and operation if Sichuan Ruijian can maintain the stable business relationship with Lepu Medical Group which Sichuan Ruijian built over the last several years; and
- (iii) entering into the Sales of Medical Devices Framework Agreement will allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors), whose view is expressed in the Letter from the Independent Board Committee contained in this circular, are of the view that the transactions under the Sales of Medical Devices Framework Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board does not consider there to be any material disadvantage to the Group in relation to the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder.

3. INFORMATION ON THE PARTIES

The Company

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on May 13, 2011. The principal business activity of the Company is investment holding. The Group is principally engaged in the R&D, manufacturing and sales of advanced infusion set, intravenous cannula products, insulin needles and dialyzers etc. in the PRC.

Lepu Medical

Lepu Medical is a joint stock company incorporated in the PRC on June 11, 1999, the shares of which are listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003). Lepu Medical is principally engaged in the development, manufacturing and sales of cardiovascular products. As of the date of this circular, Lepu Medical was ultimately controlled as to 25.25% by Dr. Pu, together with the parties acting in concert with him. Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Dr. Pu is the spouse of Ms. Yue'e Zhang, the executive Director.

4. LISTING RULES IMPLICATIONS

Although Dr. Pu did not control more than 30% shareholding of Lepu Medical and was not able to control the majority of the composition of the board of Lepu Medical, the Company considers Lepu Medical as an associate of Ms. Yue'e Zhang, the executive Director, because Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Therefore, the Company considers that Lepu Medical is a connected person of the Company. Accordingly, the transactions contemplated under the Sales of Medical Devices Framework Agreement constitute continuing connected transactions of the Company.

As one or more of the applicable percentage ratios as defined under the Listing Rules in respect of the maximum Annual Cap for the continuing connected transactions contemplated under the Sales of Medical Devices Framework Agreement exceed 5%, the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps)

LETTER FROM THE BOARD

are subject to annual review, reporting, announcement, circular (including independent financial advice) and approval by the Independent Shareholders at the EGM under Chapter 14A of the Listing Rules.

5. INTERNAL CONTROL SYSTEM FOR CONTINUING CONNECTED TRANSACTIONS

The Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable to the Group than the terms available to or from any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- (a) the Company has adopted internal control rules such as connected transaction management measures;
- (b) under the leadership of the Board, the Company has set up a connected transaction working group. This connected transaction working group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions;
- (c) each subsidiary of the Group has established a connected transaction group headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this circular to set the price for each transaction;
- (d) under the leadership of the connected transaction working group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner;

LETTER FROM THE BOARD

- (e) the Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions periodically. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified.
- (f) the Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting or board meeting. The independent non-executive Directors also make confirmation to the Shareholders on an annual basis. Such confirmation includes opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting or board meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole;
- (g) the Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps; and
- (h) the external auditor of the Company conducts year-end review for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Listing Rules and submits the same to the Stock Exchange.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing of each transaction under the Sales of Medical Devices Framework Agreement will be conducted in strict accordance with the various pricing principles and policies of continuing connected transactions as stipulated therein, and normal commercial terms or better, and will be fair and reasonable to the Company and the Shareholders as a whole.

6. EGM AND PROXY ARRANGEMENT

Ms. Yue'e Zhang abstained from voting on the approval of the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the Board meeting due to the fact that Lepu Medical is an associate of Ms. Yue'e Zhang. Save as

LETTER FROM THE BOARD

disclosed above, no other Director had any material interest in the Sales of Medical Device Framework Agreement. Accordingly, no other Director was required to abstain from voting on the relevant Board resolutions to approve the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

Ms. Yue'e Zhang, holding 50,000 Shares, will abstain from voting on the resolution approving the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the EGM. Save as aforementioned, no other Shareholder has a material interest in the transactions under the Sales of Medical Device Framework Agreement, which would require such Shareholder to abstain from voting on the resolution in relation to the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the EGM.

The EGM will be held on Wednesday, August 31, 2022 at 10:00 a.m., at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, PRC, at which ordinary resolution will be proposed to consider and, if thought fit, approve the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps). Voting by the Shareholders at the EGM will be taken by poll. Notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.pwmedtech.com). Whether or not you are able to attend the EGM, please complete and sign the form of proxy in accordance with the instructions printed thereon and return it, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority, to the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the form of proxy will be returned before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the form of proxy will be returned on or after 15 August 2022), as soon as possible but in any event not less than 48 hours before the time scheduled for holding the EGM (10:00 a.m. (Hong Kong time) on Monday, August 29, 2022) or any adjournment thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish and in such event, your form of proxy shall be deemed to be revoked.

7. CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement of Shareholders to attend and vote at the EGM, the register of members of the Company will be closed from Friday, August 26, 2022 to Wednesday, August 31, 2022, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the relevant share certificates are lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the transfers of

LETTER FROM THE BOARD

Shares will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfers of Shares will be lodged on or after 15 August 2022) not later than 4:30 p.m. (Hong Kong time) on Thursday, August 25, 2022.

8. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular and the letter from the Independent Financial Adviser set out on pages 17 to 40 of this circular, which contains, among others, its advice and recommendation to the Independent Board Committee and the Independent Shareholders in connection with the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, is of the opinion that the terms and conditions of the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole and recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

Therefore, the Directors, including the independent non-executive Directors, consider that the terms of the Sales of Medical Device Framework Agreement and the transactions contemplated (including the Annual Caps) therein are on normal commercial items, fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors, including the independent non-executive Directors, recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the terms of the Sales of Medical Device Framework Agreement and the transactions contemplated therein (including the Annual Caps).

9. ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

By order of the Board
PW Medtech Group Limited
普华和顺集团公司
Yue'e Zhang
Chairwoman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

August 11, 2022

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO SALES OF MEDICAL DEVICES**

We have been appointed as members of the Independent Board Committee to consider the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps), details of which are set out in the Letter from the Board contained in the circular to the shareholders of the Company dated August 11, 2022 (the “**Circular**”), of which this letter forms part, and to advise you as to the fairness and reasonableness of the same. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the Sales of Medical Device Framework Agreement (including the Annual Caps) and the advice and opinion of Zero2IPO Capital Limited in relation thereto as set out on pages 17 to 40 of the Circular, we are of the opinion that (i) the Sales of Medical Device Framework Agreement was entered into in the ordinary and usual course of business with normal commercial terms; and (ii) the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the EGM to approve the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,
for and on behalf of the
Independent Board Committee of
PW Medtech Group Limited
普华和顺集团公司
Mr. Wang Xiaogang
Mr. Chen Geng
Ms. Wang Fengli
Independent Non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from Zero2IPO Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Sales of Medical Devices Framework Agreement and the proposed annual caps, which has been prepared for the purpose of incorporation in the circular.



Unit No. 1506B, Level 15,
International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

August 11, 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sirs/Madams,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO SALES OF MEDICAL DEVICES FRAMEWORK AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Sales of Medical Devices Framework Agreement and the proposed annual caps (the “**Annual Caps**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 11 August 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise. We recommend the Independent Board Committee to advise the Independent Shareholders to read this Circular carefully before they decide to vote for or against the Sales of Medical Devices Framework Agreement and the Annual Caps.

With reference to the Board Letter, on 5 July 2022 (after trading hours), the Company entered into the Sales of Medical Devices Framework Agreement for a term of three years commencing upon the conclusion of the EGM and ending on 31 December 2024. Pursuant to the Sales of Medical Devices Framework Agreement, the Group agreed to sell medical devices to Lepu Medical, including but not limited to dialyzers, infusion sets, intravenous cannulas and insulin injection needles and pens.

Lepu Medical is a limited liability company established in the PRC on June 11, 1999, the shares of which are listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003). As of the date of this circular, Lepu Medical was ultimately owned as to 25.25% by Dr. Pu, together with the parties acting in concert with him. Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Dr. Pu is the spouse of Ms. Yue’e Zhang, the executive Director. Therefore, Lepu Medical is a connected person of the Company and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the transactions contemplated under the Sales of Medical Devices Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios relating to the Annual Caps of the Continuing Connected Transactions are higher than 5% and over HK\$10,000,000 on an annual basis, the Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee consisting of all the independent non-executive Directors, namely Mr. Wang Xiaogang, Mr. Chen Geng and Ms. Wang Fengli has been formed for the purposes of advising the Independent Shareholders in respect of the continuing connected transactions contemplated under Sales of Medical Devices Framework Agreement (including the Annual Caps) and whose views and recommendation will be included in the Circular. We, Zero2IPO Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Ms. Yue'e Zhang abstained from voting on the approval of the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the Board meeting due to the fact that Lepu Medical is an associate of Ms. Yue'e Zhang. Save as disclosed above, no other Director had any material interest in the Sales of Medical Device Framework Agreement. Accordingly, no other Director was required to abstain from voting on the relevant Board resolutions to approve the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

Ms. Yue's Zhang, holding 50,000 Shares, will abstain from voting on the resolution approving the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder at the EGM (including the Annual Caps). Save as aforementioned, no other Shareholder has a material interest in the transactions under the Sales of Medical Device Framework Agreement, which would require such Shareholder to abstain from voting on the resolutions in relation to the Sales of Medical Device Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) at the EGM.

OUR INDEPENDENCE

Zero2IPO Capital Limited is a licensed corporation to carry out regulated activities of advising on corporate finance under the SFO. As at the Latest Practicable Date, we were not aware of any relationships or interests between us and the Company, Lepu Medical or any other parties that could be reasonably regarded as a hindrance to our independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders. We have not acted as a financial adviser or an independent financial adviser to the Company and its associates in the past two years. Apart from the advisory fee payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion regarding the Sales of Medical Devices Framework Agreement and the Annual Caps, we have relied on the information and facts supplied, opinions expressed and representations made to us by the Directors, the management of the Group (the “**Management**”), the management of Sichuan Ruijian and the management of Lepu Medical who is responsible for the Indian business (including but not limited to those contained or referred to in the Circular). We have assumed that the information and facts supplied, opinions expressed and representations made to us were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the EGM. We have also assumed that all statements of belief, opinions, expectation and intention made by the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accept full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We have reviewed currently available information and documents, among others: (i) the Sales of Medical Devices Framework Agreement; (ii) the Announcement; (iii) the annual reports of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”) and for the year ended 31 December 2021 (the “**2021 Annual Report**”); (iv) the internal control measures governing connected transactions of the Group; (v) other information as set out in the Circular; and (vi) relevant market data and information available from public source which are made available to us and enable us to reach an informed view and justify our reliance on the information provided so as to provide a reasonable basis for our advice. We also held discussion with the Management and the management of Sichuan Ruijian and the management of Lepu Medical who is responsible for the Indian business from time to time. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or prospects of the Group, Lepu Medical, the parent group or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of entering the Sales of Medical Devices Framework Agreement. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

The principal factors and reasons we have considered in assessing the Sales of Medical Devices Framework Agreement (including the Annual Caps) in giving our recommendation to the Independent Board Committee and the Independent Shareholders are set out below:

Information on the Group

According to the Board Letter, the Group is principally engaged in the R&D, manufacturing and sales of advanced infusion set, intravenous cannula products, insulin needles etc. in the PRC.

The table below sets forth a summary of the financial highlights of the Group for the three years ended 31 December 2021 as extracted from the 2020 Annual Report and the 2021 Annual Report.

	For the year ended 31 December		
	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)
	(Audited)	(Audited)	(Audited)
Revenue	362,183	247,352	271,399
Profit for the year	81,969	631,811	739,117

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Comparison between the years ended 31 December 2020 and 2021

With reference to the 2021 Annual Report, the revenue for the year ended December 31, 2021 amounted to approximately RMB271.4 million, representing an increase of 9.7% from approximately RMB247.4 million recorded in 2020. The increase was primarily due to the increase of sales of the infusion set business. Such increase was mainly due to relief of the COVID-19 pandemic and gradual recovery of the hospital traffic in the PRC.

The net profit of the Group in 2021 increased by RMB107.3 million from approximately RMB631.8 million in 2020 to RMB739.1 million, which was mainly due to: (i) the increase of the gains amounted to approximately RMB144.1 million on the disposal of China Biologic Products Holdings, Inc. (“CBPO”) shares. CBPO is a limited liability company incorporated in the Cayman Islands. Its shares are listed on NASDAQ Stock Market; (ii) the decrease of the share of result in an associate amounted to approximately RMB113.4 million after the completion of the CBPO shares’ disposal; (iii) the increase of the financial income amounted to approximately RMB61.9 million; and (iv) the increased profit generated from the increased sales of infusion sets.

Comparison between the years ended 31 December 2019 and 2020

With reference to the 2020 Annual Report, the revenue of the Group decreased by 31.7% from approximately RMB362.2 million in 2019 to approximately RMB247.4 million in 2020, as a result of the decrease in sales of the Infusion Set Business. Such decrease was mainly due to the outbreak of COVID-19 pandemic starting in early 2020, which caused significant decline in hospital traffic in the PRC and led to the decrease of sales volume of infusion set, especially in the major sales areas of the Group, such as Beijing, Hubei province and Heilongjiang province. The decrease was partially offset by an increase in sales of disposable intravenous cannula by 22.7% to RMB52.4 million.

The net profit of the Group in 2020 increased by RMB549.8 million from approximately RMB82.0 million in 2019 to RMB631.8 million, which was mainly due to the gains on the transactions of disposal of 2,571,000 CBPO shares completed in 2020 amounted to RMB587.7 million and the decrease of the finance cost by RMB19.4 million. The increase was partially offset by the decrease of the infusion set sales due to the impact of the COVID-19 pandemic.

Information on Lepu Medical

Lepu Medical is a joint stock company incorporated in the PRC on June 11, 1999, the shares of which are listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003). Lepu Medical is principally engaged in the development, manufacturing and sales of cardiovascular products. As of the date of this circular, Lepu Medical was ultimately owned as to 25.25% by Dr. Pu, together with the parties acting in concert with him. Dr. Pu is deemed as the actual controller (實際控制人) of Lepu Medical by the Shenzhen Stock Exchange. Dr. Pu is the spouse of Ms. Yue’e Zhang, the executive Director.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The table below sets forth a summary of the financial highlights of Lepu Medical for the three years ended 31 December 2021 as extracted from the annual report for the year ended 31 December 2021 and the annual report for the year ended 31 December 2020.

	For the year ended 31 December		
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>PRC GAAP</i>	<i>PRC GAAP</i>	<i>PRC GAAP</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>
Revenue	7,795,529	8,038,668	10,659,735

Comparison between the years ended 31 December 2020 and 2021

With reference to 2021 Annual Report of Lepu Medical, the revenue for the year ended 31 December 2021 increased by 32.61% from approximately RMB8,038.67 million in FY2020 to approximately RMB10,659.74 million in FY2021. The increase was primarily due to that (i) the revenue of medical devices segment increased by approximately 81.43% from RMB3,400.40 million in FY2020 to RMB6,169.47 million in FY2021 as result of the growth in the export of the COVID-19 testing reagents; and partially offset by that (ii) the revenue of medicine segment decreased by 4.50% from RMB3,411.67 million in FY2020 to RMB3,258.21 million in FY2021.

Comparison between the years ended 31 December 2019 and 2020

With reference to 2020 Annual Report of Lepu Medical, the revenue for the year ended 31 December 2020 increased by 3.12% from approximately RMB7,795.52 million in FY2019 to approximately RMB8,038.67 million in FY2020. The increase was primarily due to that (i) the revenue of medical service and health management segment increased by 140.36% from RMB510.31 million in FY2019 to RMB1,226.60 million in FY2020; and partially offset by that (ii) the revenue of medical devices segment decreased by 1.05% from RMB3,436.61 million in FY2019 to RMB3,400.40 million in FY2020; and (iii) the revenue of medicine segment decreased by 11.35% from RMB3,848.61 million in FY2019 to RMB3,411.67 million in FY2020.

In light of the above, we are of the view that, considering the increase in the revenue of the Company for the year ended 31 December 2021 compared that of the year ended 31 December 2020 due to the relief of COVID-19 pandemic and the continuous increase in the revenue of Lepu Medical in FY2019, FY2020 and FY2021, the continuous development of the business of the Company and Lepu Medical would support the growth of the amount of transactions under the Sales of Medical Devices Framework Agreement and the Group will be benefited by entering into the Sales of Medical Devices Framework Agreement for its continuing development.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Reasons and benefits of entering the Sales of Medical Devices Framework Agreement and the Annual Caps

With reference to the Board Letter, the Company considers that the Sales of Medical Devices Framework Agreement will be beneficial to the Company's business development for the following reasons:

- (i) Lepu Medical Group has sales channels covering over 80 countries and regions. Leveraging on Lepu Medical's well-established product distribution network globally, entering into the Sales of Medical Devices Framework Agreement would facilitate the distribution and sales of the Group's products, which would not only provide a stable source of income to the Group and contribute to the implementation of the Group's sale plan but also enhance the brand value and overseas market influence of the Company;
- (ii) Prior to the acquisition of Sichuan Ruijian, Sichuan Ruijian had sold dialyzer products to the Indian subsidiary of Lepu Medical for the three years ended December 31, 2021. Upon acquisition of Sichuan Ruijian, Sichuan Ruijian became a non-wholly owned subsidiary of the Company. It would be beneficial for the Group's business and operation if Sichuan Ruijian can maintain the stable business relationship with Lepu Medical Group which Sichuan Ruijian built over the last several years; and
- (iii) entering into the Sales of Medical Devices Framework Agreement will allow the Group to maintain a strong strategic and business relationship with Lepu Medical Group, thereby generating synergy potential and mutual economic benefits between the Group and Lepu Medical Group;

According to the discussion with the management of Sichuan Ruijian, we understand that Sichuan Ruijian has a stable business relationship with Lepu Medical for over three years. In 2019, Sichuan Ruijian entered into a distribution agreement for sales of dialyzer products of its own OCI brand in India with Lepucare (India), a subsidiaries of Lepu Medical, considering the mature distribution network of medical devices of Lepu Medical in India. Such transaction arrangements has formed part of the daily operation of Sichuan Ruijian since 2019 and the historical amount received by Sichuan Ruijian from Lepu Medical for three years ended 31 December 2021 were approximately RMB2.05 million, RMB7.15 million and RMB8.60 million, respectively. With the increase in sales, the brand value and overseas brand awareness of dialyzers of OCI has been enhanced, especially in India. Considering Sichuan Ruijian and Lepu Medical has long-term, stable business relationship and are mutually familiar with each other's business demand, we concur with the Director that maintaining a stable and quality business relationship with Lepu Medical after the completion of acquisition of Sichuan Ruijian will facilitate current and future business operation of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Having considered that (i) the sales form part of the daily operation of the Company, especially Sichuan Ruijian; (ii) the Group shall be rendered stable source of income with the pricing terms that are no less favourable than available to the independent third-party customers; and (iii) it would enhance the brand value and overseas market influence of the Company, we concur with the Directors' view that the entering into the Sales of Medical Devices Framework Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole and does not consider there to be any material disadvantage to the Group in relation to the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder.

Principal Terms of the Sales of Medical Devices Framework Agreement

The principal terms of the Sales of Medical Devices Framework Agreement are summarized as below:

Date

5 July 2022 (after trading hours)

Parties

- (1) The Company; and
- (2) Lepu Medical

Subject matter

The Group agreed to sell medical devices to Lepu Medical Group, including but not limited to dialyzers, infusion sets, intravenous cannulas and insulin injection needles and pens.

The members of both of the Group and Lepu Medical Group may enter into individual sales of medical devices agreements setting out specific terms of sales of medical devices, including the medical devices to be sold, price determination method, delivery method and payment arrangement. Such terms shall be on normal commercial terms (i.e. the transaction in on an arm's length basis or terms no less favourable to the Group than terms available to independent third parties) and consistent with the principles and the terms of the Sales of Medical Devices Framework Agreement. Lepu Medical Group shall make full payment in cash within a certain period of time upon receipt of the medical devices from the Group. Before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement, the Company will review and ensure the payment terms of such individual sales of medical devices agreements are on normal commercial terms. The credit period offered by the Group to Lepu Medical Group generally ranges from 60 to 150 days. However, depending on a number of reasons including (i) past settlement record; (ii) financial standing of the customer; and (iii) size of the orders placed by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

customer, the credit period offered may accordingly be lengthened or shortened. The Group's accounting department monitors settlement status of customers, especially overdue status of trade receivables. In the event of prolonged overdue, the Group would determine follow-up actions to collect such overdue payment, such as communication with the customers and sending payment reminders.

During the period from between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, to the Announcement Date, the credit period of the transactions between Sichuan Ruijian and Lepu Medical in relation to sales of the self-branded dialyzer products is 120 days, which is longer than that of the sales of OEM dialyzer products to independent third party distributors in India whose credit period is 75 days. Considering (i) the massive quantity of sales to Lepu Medical; (ii) promotion of self-branded dialyzer products by Lepu Medical to enhance the brand value and overseas market influence of Sichuan Ruijian; and (iii) Lepu Medical is listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003) with transparent financial conditions, good reputation and credibility, the Board believes that 45 days longer credit period for self-branded dialyzer products to Lepu Medical compared with that of the OEM dialyzer products to independent third party distributors in India is reasonable..

The Company will review and compare the credit period of the self-branded dialyzer products offered by the Group to Lepu Medical Group with at least two recent transaction records of self-branded dialyzer products offered by the Group to independent third-party customers, if available before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The credit period of self-branded dialyzer products provided to Lepu Medical Group will not be longer than those offered to independent third party customers. In the event that the transaction records of self-branded dialyzer products offered by the Group to independent third party customers were not available, the Company would obtain the quotations (including the credit period) for such products from at least two independent third party purchasers at arm's length negotiation and compare the credit period offered to Lepu Medical Group with such at least two quotation records from independent third party purchasers before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The credit period of self-branded dialyzer products provided to Lepu Medical Group will not be longer than that obtained from the independent third party purchasers.

Term

The term of the Sales of Medical Devices Framework Agreement will commence from the Effective Date to December 31, 2024, subject to renewal for another three years upon parties' mutual agreement and the Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Conditions Precedent

The Sales of Medical Devices Framework Agreement and transactions contemplated thereunder is conditional upon obtaining the necessary approval and consent under the Listing Rules, which include the approval by the Independence Shareholders at the EGM.

Pricing policy

The prices of the medical devices purchased by Lepu Medical Group under the Sales of Medical Devices Framework Agreement shall be determined with reference to the quantity of orders, the brand of products (e.g. self-branded products or OEM products) and the prevailing market prices of comparable medical devices from at least two independent third parties. The prices and other terms of the Group's sales of medical devices to the Lepu Medical Group shall be no less favourable to the Group than those offered to other independent third-party purchasers by the Group at the relevant time.

In order to ensure that the terms of the transaction under the Sales of Medical Devices Framework Agreement are fair and reasonable and in line with market practices, and that the terms of the transaction will be no less favorable to the Group than the terms of transactions between the Group and independent third parties, the Group has maintained regular contact with other medical devices companies in the market to keep abreast of market developments and the price trend of comparable products. The Company will review and compare the unit prices of the self-branded dialyzer products offered by the Group to Lepu Medical Group with at least two recent transaction records of self-branded dialyzer products offered by the Group to independent third-party customers, if available before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The prices of self-branded dialyzer products provided to Lepu Medical Group will not be lower than those offered to independent third-party customers. In the event that the transaction records of self-branded dialyzer products offered by the Group to independent third-party customers were not available, the Company would obtain the quotations for such products from at least two independent third-party purchasers and compare the unit prices offered to Lepu Medical Group with such at least two quotation records from independent third-party purchasers before entering into individual sales of medical devices agreements with Lepu Medical Group under the Sales of Medical Devices Framework Agreement. The prices of self-branded dialyzer products provided to Lepu Medical Group will not be lower than the quotations obtained from the independent third-party purchasers.

To assess the fairness and reasonableness of the pricing and terms of the Sales of Medical Devices Framework Agreement, we have discussed with the Management, the approach that they will adopt when determining the pricing for products under the Sales of Medical Devices Framework Agreement. We are given to understand that during the historical period of 2019 to 2021, the Sichuan Ruijian has maintained regular contact with more than three medical devices companies in the market to keep abreast of market

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

developments and the price trend of comparable products and therefore it is applicable to obtain quotations from at least two independent third parties before conducting the connected transaction. The Group has also set up internal control procedures for the connected transaction. Details please see below chapter of “Internal Control System For Continuing Connected Transactions”.

We have also reviewed the Sales of Medical Devices Framework Agreement and not aware of any material differences between the Sales of Medical Devices Framework Agreement and the Board Letter.

In relation to the sales of self-branded dialyzer products, as confirmed by the management of the Company and the management of Sichuan Ruijian, we noted that during period from 1 January 2019 to 5 July 2022, being the date on which the Company published the announcement in relation to sales of medical devices (the “Announcement Date”), except for Lepu Medical, Sichuan Ruijian did not sell self-branded dialyzer products to any other independent third parties in the Indian market. As confirmed by the management of the Company and the management of Sichuan Ruijian, the actual transaction amount of dialyzers between Sichuan Ruijian and Lepu Medical between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date was approximately RMB2,160,000. For our due diligence purpose, we have obtained and reviewed (i) all the contracts (2 contracts in total) entered into between Sichuan Ruijian and Lepu Medical which is a fair and representative sample and the terms of such contracts, including but not limited to product description, prices, quantities, transaction amount and purchase and credit terms; (ii) the quotation records for the self-branded dialyzer products of Sichuan Ruijian from three Independent Third Parties at the relevant time.

On the basis of our review, we noted that (i) the quoted prices of the self-branded dialyzer products to the three potential customers which are Independent Third Parties between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date were ranging from USD3.0 to USD3.4 per unit, ranging from USD3.0 to USD3.3 per unit and ranging from USD3.0 to USD3.3 per unit, respectively, while the price range of the self-branded dialyzer products sold to Lepu Medical was from USD3.0 to USD3.4 per unit at the relevant time and the pricing of the self-branded dialyzer products which Sichuan Ruijian sold to Lepu Medical is not less favourable than that of the quotations for the self-branded dialyzer products from the potential customers which are the Independent Third Parties in the same model; and (ii) the quoted payment duration of the potential transaction of self-branded dialyzer products sold to the three potential customers which are Independent Third Parties between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date were 120 days, 120 days and 120 days, respectively, while the payment duration of the transactions of self-branded dialyzer products sold to Lepu Medical at the relevant time was 120 days and the payment terms of the self-branded

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dialyzer products which Sichuan Ruijian sold to Lepu Medical is not less favourable than that of the quotations for the self-branded dialyzer products from the potential customers which are the Independent Third Parties.

Meanwhile, considering that Sichuan Ruijian did not sell any self-branded dialyzer products to other Independent Third Parties in the Indian market between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date and in order to assess the fairness and reasonableness of the pricing of the self-branded dialyzer products by Sichuan Ruijian in the Indian market, we have discussed with the management of the Company and the management of Sichuan Ruijian and noted that Sichuan Ruijian also sold OEM dialyzer products to a distributor in India who is an Independent Third Parties between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date and the pricing of such OEM dialyzer products is slightly higher than that of self-branded dialyzer products sold to Lepu Medical in the same models that the price of self-branded dialyzer products sold to Lepu Medical was approximately 2.86% to 6.25% lower than that of OEM dialyzer products sold to independent third party in India at the relevant time and the payment duration of such transaction was shorter than that of transactions with Lepu Medical primarily due to (i) the massive quantity of sales to Lepu Medical which is much higher than that of the OEM dialyzer products sold to the independent third party; (ii) in order to enhance promotion of self-branded dialyzer products by Lepu Medical to enhance the brand value and overseas market influence of Sichuan Ruijian and; (iii) the hollow-fibre membrane of self-branded dialyzer products is semi-dry membrane, while the hollow-fibre membrane of OEM dialyzer products is fully dry membrane which requires longer drying period and leads to slightly more production cost; and (iv) Lepu Medical is listed on the ChiNext Board of the Shenzhen Stock Exchange (stock code: 300003) with transparent financial conditions, good reputation and credibility. For our due diligence purpose, we have obtained and reviewed (i) all the contracts (1 contract in total) entered into between Sichuan Ruijian and the distributor in India who is an Independent Third Party which is a fair and representative sample, including but not limited to product description, prices, quantities, transaction amounts and purchase and payment conditions; (ii) the market quotations of the comparable dialyzer products from five medical device companies which are Independent Third Parties (5 companies in total), where the management of Sichuan Ruijian made reference to when pricing their products at relevant time. Given that (i) we have obtained all the contracts between Sichuan Ruijian and the the distributor in India which is an Independent Third Party and all the quotations of comparable products from other medical device companies which are Independent Third Parties; and (ii) the contract and quotations we obtained did not demonstrate any material discrepancy to our understandings on the Sales of Medical Devices Framework Agreement, we are of the view that the contract and quotations are sufficient for us to assess the fairness and reasonableness of the pricing of the self-branded dialyzer products by Sichuan Ruijian in India at the relevant time.

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On the basis of our review, we noted that (i) the quantity of sales of the self-branded dialyzer products sold to Lepu Medical between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date was 62,208 while the quantity of sales of the OEM dialyzer products sold to the independent third party in India during the same period was 11,040 which is much smaller than that of the self-branded dialyzer products sold to Lepu Medical; (ii) the pricing of the self-branded dialyzer products which Sichuan Ruijian sold to Lepu Medical between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date is approximately 2.86% to 6.25% lower than that of OEM dialyzer products which Sichuan Ruijian sold to the distributor which is the independent third party in India in the same model; (iii) the payment duration of such transactions of the self-branded dialyzer products which Sichuan Ruijian sold to Lepu Medical is 120 days which is longer than that of the sale of OEM dialyzer products which Sichuan Ruijian sold to the distributor which is the independent third party in India whose payment duration is 75 days; and (iv) the prices of the quotations of the comparable products from the five medical devices companies between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date are USD3.2 per unit which is higher than that of comparable products of Sichuan Ruijian while the price of such comparable products of Sichuan Ruijian is USD3.1 per unit, ranging from USD2.18 to USD2.24 per unit which is not higher than that of comparable products of Sichuan Ruijian, ranging from USD3.0 to USD3.4 per unit which is not higher than that of comparable products of Sichuan Ruijian, USD3.0 per unit which is not higher than that of comparable products of Sichuan Ruijian and USD2.9 per unit which is not higher than that of comparable products of Sichuan Ruijian, respectively, and the pricing of the sales of self-branded dialyzer products which Sichuan Ruijian sold to Lepu Medical is USD3.00 to USD3.40 per unit at the relevant time. Considering that the prices of the self-branded dialyzer products sold to Lepu Medical were within the price range of the comparable products from the five medical device companies which are Independent Third Parties, it did not demonstrate any material discrepancy to our understandings on the fairness and reasonableness on the pricing of the self-branded dialyzer products by Sichuan Ruijian in the India market despite the slight discount on the price of self-branded dialyzer products which Sichuan Ruijian sold to Lepu Medical as compared with that of OEM dialyzer products which Sichuan Ruijian sold to the Independent Third Party during the relevant period.

Considering (i) the massive quantity of sales to Lepu Medical; (ii) promotion of self-branded dialyzer products by Lepu Medical to enhance the brand value and overseas market influence of Sichuan Ruijian; (iii) the difference in the manufacturing process between the self-branded dialyzer products and OEM dialyzer products; and (iv) Lepu Medical being a public company, we are of the view that, the slight discount on the price of the self-branded dialyzer products which Sichuan Ruijian sold to Lepu Medical compared with that of the OEM dialyzer products which Sichuan Ruijian sold to the distributor which is the Independent Third Party in India and the 45 days longer payment

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duration for Lepu Medical compared with that of the distributor which is the independent third party in India between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date is reasonable.

In relation to the sales of medical device accessories, as confirmed by the management of the Company and the management of Sichuan Ruijian, the actual transaction amount of medical devices accessories between Sichuan Ruijian and Lepu Medical between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date is RMB0.18 million and except for Lepu Medical, Sichuan Ruijian did not sell medical device accessories to any other independent third parties during such period. For our due diligence work purpose, we have obtained all the contracts for the sales of medical device accessories entered into between the Sichuan Ruijian and Lepu Medical (1 contract in total) which is a fair and representative sample and the quotations of the medical device accessories from another two medical devices companies (two companies in total) which are independent third parties.

On the basis of our review, we noted that the pricing of the medical device accessories which Sichuan Ruijian sold to Lepu Medical between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date is not less favourable than the quotations of the medical device accessories from other medical devices companies which are independent third party during the same period.

Considering (i) the key pricing terms under the Sales of Medical Devices Framework Agreement will be no less favorable to the Group than the terms of transactions between the Group and Independent Third Parties and the Group is able to identify quotations from Independent Third Parties; (ii) the internal control measures as discussed below; (iii) the pricing of the self-branded dialyzer products were not less favourable than the quotations for the self-branded dialyzer products from the potential customers which are the Independent Third Parties and within the price range of the comparable products from other medical devices companies in the market; (iv) the slight discount on price and relatively longer payment duration of the self-branded dialyzer products sold to Lepu Medical between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian, and the Announcement Date abovementioned are reasonable considering the massive quantity of sales, promotion of self-branded dialyzer products rather than OEM dialyzer products and Lepu Medical being a public company; and (v) the pricing of the medical device accessories were not less favourable than the prevailing market price, we concur with the Directors that the terms of the Sales of Medical Devices Framework Agreement are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

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The Annual Caps and Basis of Determination

The table below sets out the annual caps for the total amount payable by Lepu Medical Group to the Group under the Sales of Medical Devices Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024, respectively:

	Proposed Annual Caps for		
	the years ended 31 December		
	2022	2023	2024
	RMB	RMB	RMB
Sales of Dialyzers by the Group to Lepu Medical	28,950,000	42,000,000	63,000,000
Sales of other medical devices and accessories by the Group to Lepu Medical	1,060,000	1,290,000	2,640,000
Buffer	<u>3,090,000</u>	<u>4,410,000</u>	<u>6,660,000</u>
Total	<u><u>33,100,000</u></u>	<u><u>47,700,000</u></u>	<u><u>72,300,000</u></u>

As stated in the Board Letter, the estimated annual caps for the aggregate amount receivable by the Group from the Lepu Medical Group were determined with reference to:

- (i) the expected significant increase of Lepu Medical's demand in India for dialyzers to be sold by Sichuan Ruijian:
 - (a) The Indian subsidiary of Lepu Medical entered into the sales of dialyzers agreement with a governmental institution in India in April 2022 in relation to high volume supply of dialyzers to such governmental institution in the next two years. Sichuan Ruijian is expected to benefit from such transaction which is expected to be conducted in the second half of 2022, and the estimated sales of Sichuan Ruijian to Lepu Medical for the four months ending 31 December 2022 and for the year ending 31 December 2022 backed by such transaction are expected to be approximately RMB6.72 million and RMB7.98 million, respectively. The Indian subsidiary of Lepu Medical is expected to further bid for other procurement projects of dialyzers undertaken by local governments in India.
 - (b) Lepu Medical has further expanded its sales network in India. Lepu Medical recently cooperated with a large dialyzer distributor in India on sales of dialyzers in India. The demand of Indian subsidiary of Lepu Medical for dialyzers from Sichuan Ruijian is expected to continue increasing, and the transaction amount with Lepu Medical due to this distributor is expected to be approximately RMB12.60 million for the four months ending 31 December 2022.

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- (c) Sichuan Ruijian adjusted the business strategy in 2022 and plans to deepen the cooperation with Lepu Medical and strengthen the promotion of the self-branded dialyzer products in India. The transaction amount of dialyzers, excluding the increase stated in (a) and (b) abovementioned, is expected to increase by 73.25% from RMB8.6 million for the year ended December 31, 2021 to RMB14.90 million for the year ending December 31, 2022.
- (ii) the historical amount received by Sichuan Ruijian from Lepu Medical Group for the three years ended December 31, 2021; and
- (iii) estimated buffer of 10% for fluctuation of market prices and change in specifications.

According to the Board Letter, for the three years ended December 31, 2021, the Group (excluding Sichuan Ruijian) did not sell medical devices to Lepu Medical Group. As such, there was no historical amount received by the Group from Lepu Medical Group in relation to sales of medical devices before the acquisition in February 2022.

on 28 February 2022, the Group acquired 51% equity interests of Sichuan Ruijian, after which Sichuan Ruijian became a non-wholly owned subsidiary of the Company. During the three years ended December 31, 2021, Sichuan Ruijian sold medical devices to Lepu Medical Group, mainly including dialyzers. For illustration purpose only, the historical amounts received by Sichuan Ruijian from Lepu Medical Group for the three years ended December 31, 2021 were as follows:

	For the years ended 31 December		
	2019	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Sales of medical devices by Sichuan Ruijian to Lepu Medical Group	2,050,000	7,150,000	8,600,000

The historical transaction amount of the sales of medical devices transactions between Sichuan Ruijian and Lepu Medical Group between 28 February 2022, being the date of completion of the acquisition of Sichuan Ruijian and the Announcement Date was RMB2,347,600.

There will not be any sales of medical devices transactions between Sichuan Ruijian and Lepu Medical Group between the Announcement Date and the date of the EGM.

To assess the fairness and reasonableness of the proposed annual cap for the year ending 31 December 2022 increasing significantly by approximately 285%, from approximately RMB8.6 million for the year ended 31 December 2021 (the sales of Sichuan Ruijian to Lepu Medical Group before the completion of acquisition), to RMB33.1 million for the four

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months ending 31 December 2022, while the actual transaction amount between Sichuan Ruijian and Lepu Medical was approximately RMB6.06 million for the period from 1 January 2022 to the Announcement Date, we conducted the following analyses:

- (i) As discussed with the Management, we noted that such increase is primarily due to that:
 - (a) Lepucare (India) entered into the sales of dialyzers agreement with a government institute in India in April 2022, in relation to high volume supply of dialyzers to such governmental institution in the next two years. We have reviewed the agreement and discussed with the Management and noted that, as the only dialyzer supplier of Lepucare (India), Sichuan Ruijian is expected to benefit from such transaction which is expected to be conducted in the second half of 2022, and the estimated sales of Sichuan Ruijian to Lepu Medical for the four months ending 31 December 2022 and for the year ending 31 December 2023 backed by such transaction are expected to be approximately RMB6.72 million and RMB7.98 million, respectively;
 - (b) Lepucare (India) has further expanded its sales network through cooperating with a large local dialyzer distributor to develop the dialyzer market in India since 2022. The sales of dialyzers to Lepu Medical in relation to cooperation between Lepu Medical and the new large local dialyzer distributor is expected to increase in the second half of the year considering the gradual deepening of the cooperation and the sales amount of such transactions for the four months ending 31 December 2022 is expected to be approximately RMB12.6 million;
- (ii) As advised by the Management, the increase in the Proposed Annual Cap for the four months ending 31 December 2022 is also due to that (a) Sichuan Ruijian adjusted the business strategy in 2022 and plans to deepen the cooperation with Lepu Medical and strengthen the promotion of the self-branded dialyzer products in India. The transaction amount of dialyzers, excluding the increase stated in (i) abovementioned, is expected to increase by 73% from RMB8.6 million for the year ended 31 December to RMB14.90 million for the year ending 31 December 2022 while the actual transaction amount for the period from 1 January 2022 to the Announcement Date was RMB5.27 million and the estimated transaction amount for the four months ending 31 December 2022 is RMB9.63 million; (b) Sichuan Ruijian started to sell medical device accessories since March 2022 and the transaction amount of such accessories for the four months ending 31 December 2022 is expected to be approximately RMB0.68 million; and (c) Beijing Fert Technology Co., Ltd (“**Beijing Fert**”), a subsidiary wholly owned by the Company is expected to sell medical devices to Lepu Medical since September 2022, including but not limited to infusion sets, intravenous cannulas, insulin injection needles and insulin

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injection pens and the transaction amount of such medical devices for the four months ending 31 December 2022 is expected to be approximately RMB0.38 million.

Having considered above, we concur with the Management that the amount of continuing connected transaction between Sichuan Ruijian and Lepu Medical will increase substantially in 2022 as compared with the historical transaction amount in 2021.

To assess the fairness and reasonableness of the annual growth of approximately 44.11% from FY2022 to FY2023 and approximately 51.57% from FY2023 to FY2024, we conducted the following analyses:

- (i) As advised by the Management and the management of Sichuan Ruijian, the transaction amount of the dialyzer products from Sichuan Ruijian to Lepu Medical for Indian market is expected to be approximately RMB42.00 million and RMB63.00 million for the years ending 2023 and 2024, respectively, representing an estimated annual growth of approximately 45% from FY2022 to FY2023 and an estimated annual growth of approximately 50% from FY2023 to FY2024 in the Proposed Annual Caps. Such estimation is based on the business prospects of Sichuan Ruijian and Lepu Medical in India, which was driven by the development of the dialysis market in India and the business expansion of Lepu Medical in the Indian market.
- (ii) As discussed with the Management and the management of Sichuan Ruijian, the sales price of dialyzers products of Sichuan Ruijian sold to Lepucare (India) is expected to be stable for the three year ending 31 December 2024 compared with that for the three years ended 31 December 2021 and the estimated annual growth is primarily driven by the increase in the sales volumes of dialyzers. And the expected sales price range is expected to US\$3.0–3.4, US\$3.0–3.4 and US\$3.0–3.4 in 2022, 2023 and 2024, respectively. We have reviewed the breakdown of sales prices of dialyzers from Sichuan Ruijian to Lepucare (India) for the three years ended 31 December 2021 and the price range in 2019, 2020 and 2021 was US\$3.4–3.4, US\$3.4–3.4 and US\$3.1–3.4, respectively, which was relatively stable and we concur with the Director that the sales prices of dialyzers are expected to be stable and the estimated annual growth are primarily driven by the estimated sales volumes of dialyzers;
- (iii) The Indian dialysis market is estimated to be growing fast. Based on a scientific article, Global Dialysis Perspective: India, whose authors are Joyita Bharati, who is in the department of Nephrology, Postgraduate Institute of Medical Education and Research of Chardigarh in India, and Vivekanand Jha, who is the professor of the George Institute for Global Health of University of New South Wales of New Delhi in India published in October 2020 on Kidney 360, a scientific journal published by America Society of Nephrology, we have noted that the number of deaths attributable to CKD (Chronic Kidney Disease) in India rose from 0.59 million in

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1990 to 1.18 million in 2016. Data on incidence and prevalence of kidney failure remain estimates because there are no kidney failure registries in India. The Million Death Study estimated the number of kidney failure deaths to be 136,000 in 2015. A 2018 estimate put the number of patients on chronic dialysis in India at about 175,000, giving a prevalence of 129 per million population. A systematic review estimated that about two thirds of all patients with kidney failure died without receiving dialysis in 2010. Hemodialysis (HD) is the most common Renal Replacement Therapy (RRT) modality in India. The union government of India announced a National Dialysis Program in 2016 that envisages setting up an eight-station dialysis facility in all 688 districts of the country to provide HD to poor patients. However, dialyzer reuse (manual or automated) is common, especially in publicly funded facilities. The number of times a dialyzer is reused varies, but can be up to 25 times considering the cost saving. In recent years, HD services have grown in the public private partnership (PPP) mode. In this model, governments contract private entities to finance, build, and operate dialysis units at an agreed-upon rate. Considering the government policy support and the low coverage of dialysis services to the patients, the Indian dialysis market is estimated to be growing at a rate of 31% per annum, compared with 8% in the rest of the world. Considering (i) the authors of this scientific article are both the researchers in nephrology and health industry in India; (ii) according to the website of Kidney 360, Kidney 360 is a global, peer-reviewed, online only kidney journal that publishes scientifically rigorous basic, translational, clinical, epidemiologic, health policy, population science, and global health kidney research; and (iii) according to the website of America Society of Nephrology, the America Society of Nephrology (“ASN”), founded in 1966, is the professional society devoted to the study of kidney disease in the United States, we are of the view that the content and conclusion in this scientific article is credible and reliable.

- (iv) As advised by the management of Lepu Medical who is responsible for the Indian business, we noted that Lepu Medical is expected to further expand their business scale in dialysis market in India through expanding the customer bases and bidding for other procurement projects (1 to 3 projects per year) of dialyzers by the local governments considering the huge demand and their experience in success of the project bidding abovementioned in India;
- (v) As advised by the Management and the management of Sichuan Ruijian, the sales amount of medical devices accessories from Sichuan Ruijian to Lepu Medical for FY2023 and FY2024 would remain stable and relatively small and is expected to be RMB0.5 million and RMB0.5 million, respectively;
- (vi) As advised by the Management, the transaction amount of medical devices from Beijing Fert to Lepu Medical in FY2023 and FY2024, considering the increasing demand for such products, is expected to be RMB0.79 million and RMB2.14 million, respectively, and such estimated amount is relatively small.

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Having considered (i) the prospects of the dialysis market industry to be positive and the Indian dialysis market is estimated to be growing at a rate of 31% per annum; (ii) Lepu Medical's plan to further expand their customer bases and bid for other procurement projects of dialyzers by the local governments, which may consequently increase the orders to the Group, while the sales prices of dialyzers are expected to be stable; (iii) increase in sales of other medical devices to Lepu Medical, we concur with the Management that the estimated annual growth of 44.11% for the proposed annual cap from FY2022 to FY2023 and 51.57% from FY2023 to FY2024 is fair and reasonable.

Buffer

As mentioned above, the Company assumed buffers of 10% as an assumption for the determination of the Caps for each of the three years ending 31 December 2024. Having considered that (i) the additional buffer was assumed for unforeseeable circumstances, for instance, (a) the unpredictable increase in actual demand on the estimated amounts of the sales of medical devices transactions for each of the three years ending 31 December 2024; and (b) the unexpected increase material cost of the sales of medical devices for each of the three years ending 31 December 2024; and (ii) based on our independent research, there were listed companies on the Stock Exchange which had incorporated buffer of 10% or around 10% in the proposed annual caps of their continuing connected transactions (e.g. Zhuzhou CRRC Times Electric Co., Ltd's (3898) circular dated 16 May 2022, San Miguel Brewery Hong Kong Limited's (236) circular dated 8 April 2022, Beijing Media Corporation Limited's (1000) circular dated 31 March 2022, Bosideng International Holdings Limited's (3998) circular dated 9 March 2022, Great Wall Motor Company Limited's (2333 & SH601633) circular dated 22 February 2022), we consider the buffers of 10% to be acceptable.

Having taken into consideration of the above, in particular, (i) Lepu Medical expanded and is expected to further expand its sales network in the dialysis market in India; and (ii) the prospects of the dialysis market industry to be positive and the Indian dialysis market is estimated to be growing at a rate of 31% per annum, (iii) the increase in sales of other devices and accessories to Lepu Medical; and (iv) the reasonableness of buffer, we are of the view that the proposed annual caps under the Framework Sales Agreement are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that as the proposed annual caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2024, and they do not represent forecasts of the medical devices to be provided to Lepu Medical Group under the Sales of Medical Devices Framework Agreement. Consequently, we express no opinion as to how closely the actual medical devices to be provided to Lepu Medical Group under the Sales of Medical Devices Framework Agreement will correspond with the respective proposed annual caps.

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Internal Control System For Continuing Connected Transactions

As disclosed in the Board Letter, the Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable to the Group than the terms available to or from any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

- (a) the Company has adopted internal control rules such as connected transaction management measures;
- (b) under the leadership of the Board, the Company has set up a connected transaction working group. This connected transaction working group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions;
- (c) each subsidiary of the Group has established a connected transaction group headed by a senior manager responsible for finance. Specific personnel in the audit and discipline supervision department are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this announcement to set the price for each transaction;
- (d) under the leadership of the connected transaction working group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner;
- (e) the Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions periodically. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified;

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- (f) the Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting or board meeting. The independent non-executive Directors' confirmation to the Shareholders of the Company on an annual basis. Such confirmation includes opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting or board meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole;
- (g) the Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps; and
- (h) the external auditor of the Company conducts interim and year-end audit for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Listing Rules and submits the same to the Stock Exchange.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the management of the Company, we noted that (i) the connected transaction working group of the Company monitors the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the pricing terms and policy; (ii) the Audit Committee and external auditor of the Company will conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. As advised by the management of the Company, the Group will endeavour to carry out adequate supervision over the pricing terms and policy under the Sales of Medical Devices Framework Agreements against the relevant Annual Caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken. Considering Sichuan Ruijian was acquired by the Company in February 2022, we have interviewed the management of Sichuan Ruijian and they confirmed that they understand and shall follow the internal control requirement under the Sales of Medical Devices Framework Agreement. We

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have also interviewed the representative of the connected transaction working group which is set up by the Company and we were advised that the group is comprised with 3 members, including the vice president of the Company, the Chief Financial Officer of the Company and the manager of Internal Control of the Company, and all of them are with financial or legal background. They are well familiar with the internal control procedure and understand their roles and responsibility. And we also note that each subsidiary of the Company has established a connected transaction group headed by a senior manager responsible for finance and all of them are familiar with the internal control procedure and understand their roles and responsibility.

By considering (i) the continuing connected transaction working group which is set up by the Company will formulate and oversee the internal control systems for the connected transactions, negotiate and sign various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), to ensure such transactions are conducted on normal commercial conditions or more favourable terms; (ii) the Company requires all of the subsidiaries to submit implementation reports of connected transactions periodically and consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified; and (iii) the Company's independent non-executive Directors and the Auditor will conduct an annual review of the status of the transactions contemplated under the Sales of Medical Devices Framework Agreements to ensure that the Company has complied with its internal approval process, we consider that the internal control of the Company is sufficient in place to ensure that the pricing of both sales and purchases transaction between the Company and the Lepu Medical Group would be on normal commercial terms.

In view of the above, we consider that the internal control manual, if implemented effectively by the Group, are sufficient to safeguard Shareholders' interest in conducting the Sales of Medical Devices Framework Agreements and the continuing connected transactions contemplated thereunder. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the entering into of the Sales of Medical Devices Framework Agreement is in the ordinary and usual course of business of the Company; (ii) the terms of the Sales of Medical Devices Framework Agreement are on normal commercial terms and which, altogether with the Annual Caps, are fair and reasonable, and the Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolutions to be proposed at the EGM to approve the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Zero2IPO Capital Limited
Yang Peng
Managing Director

Note: Mr. Yang Peng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Zero2IPO Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 10 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests of Directors and Chief Executive in Securities

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required 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/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules, were as follows:

(A) *Long position in the Shares*

Name of Director	Capacity	Number of Shares interested	Approximate percentage ⁺ of the Company's issued share capital
Ms. Yue'e ZHANG	Beneficial owner	50,000	0.003%
Mr. JIANG Liwei	Beneficial owner	2,638,714	0.17%
Mr. LIN Junshan	Beneficial owner	1,673,427	0.11%
Mr. CHEN Geng	Beneficial owner	636,943	0.04%

(B) Long position in underlying Shares — physically settled unlisted equity derivatives

Name of Director	Capacity	Number of underlying Shares in respect of the share options granted	Approximate percentage⁺ of underlying Shares over the Company's issued share capital
Mr. WANG Xiaogang	Beneficial owner	118,471	0.008%

⁺ The percentage represents the number of ordinary Shares/underlying Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

Save as disclosed above and in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" under the annual report of the Company for the year ended December 31, 2021, to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required 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/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Positions in the Substantial Shareholders

As at the Latest Practicable Date, the following persons (other than Directors and chief executives of the Company) had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares of the Company, which are required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of shareholder	Capacity	Number of ordinary Shares interested	Approximate percentage of the Company's issued share capital
Cross Mark Limited	Beneficial owner	575,061,863	36.71%
Ms. Yufeng LIU ¹	Interest of a controlled corporation	575,061,863	36.71%
Mr. ZHANG Zaixian ²	Interest of spouse	575,061,863	36.71%
Right Faith Holdings Limited	Beneficial owner	393,385,962	25.11%
Mr. Marc CHAN ³	Interest of controlled corporations	408,385,962	26.07%
Fidelity China Special Situations PLC	Beneficial owner	78,471,000	5.01%
FIL Limited ⁴	Interest of controlled corporations	78,515,000	5.01%
Pandanus Partners L.P. ⁴	Interest of controlled corporations	78,515,000	5.01%
Pandanus Associates Inc. ⁴	Interest of controlled corporations	78,515,000	5.01%

Notes:

- (1) The entire issued share capital of Cross Mark Limited is legally and beneficially owned by Ms. Yufeng LIU. Under the SFO, Ms. Yufeng LIU is deemed to be interested in the same number of Shares in which Cross Mark Limited is interested.
- (2) Mr. ZHANG Zaixian is the spouse of Ms. Yufeng LIU. Under the SFO, Mr. ZHANG Zaixian is deemed to be interested in the same number of Shares in which Ms. Yufeng LIU is interested.
- (3) The entire issued share capital of Right Faith Holdings Limited is legally and beneficially owned by Mr. Marc CHAN. In addition, Amplewood Resources Limited, a company wholly owned by Mr. Marc CHAN, held 15,000,000 Shares. Under the SFO, Mr. Marc CHAN is deemed to be interested in the same number of Shares in which Right Faith Holdings Limited and Amplewood Resources Limited are interested.

- (4) As the Company is aware, FIL Limited was deemed to be interested in 78,515,000 Shares held by its controlled entities/corporations. Pandanus Partners L.P. owned 37.01% of the equity interest in FIL Limited. Pandanus Partners L.P. is wholly owned by Pandanus Associates Inc. Accordingly, Pandanus Partners L.P. and Pandanus Associates Inc. were also deemed to be interested in the aforesaid 78,515,000 Shares.

⁺ The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

As of the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of Directors in the Group's Assets or Contracts or Arrangements Significant to the Group

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors had any interest in any asset which have been, since December 31, 2021 (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.

As at the Latest Practicable Date, to the best knowledge of the Directors, save for the Sales of Medical Devices Framework Agreement and the Medical Products Processing Services Framework Agreement, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which is significant in relation to the businesses of the Group.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, there was no existing or proposed service contract, excluding contract expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation) between any of the Directors of the Company and any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group's businesses) which competes or is likely to compete, either directly, or indirectly with the Group's businesses (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

5. MATERIAL ADVERSE CHANGES

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since December 31, 2021 (being the date to which the latest published audited accounts of the Company were made up).

6. LITIGATION

As of the Latest Practicable Date, none of the members of the Group were engaged in any litigation or arbitration or claim of material importance affecting its business operation, and the Directors were not aware of any litigation or arbitration or claim of material importance affecting its business operation which was pending or threatened by or against any member of the Group.

7. MATERIAL CONTRACTS

Except for the Sales of Medical Devices Framework Agreement (the details of which are disclosed in this circular), the following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular:

- (i) the share transfer agreement dated January 5, 2022 entered into between (i) Medfusion Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser, and (ii) Huaimin Yang, Wenquan Sun, Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥)), Luchan Ye, Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) (東莞高樺一號投資合夥企業(有限合夥)) and Xin Wang as vendors,
- (ii) the share subscription agreement dated January 5, 2022 entered into between (i) Medfusion Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser, and (ii) Huaimin Yang, Wenquan Sun, Hainan Ruijian Enterprise Management Partnership (Limited Partnership) (海南瑞健企業管理合夥企業(有限合夥)), Luchan Ye, Dongguan Gaohua No. 1 Investment Partnership (Limited Partnership) (東莞高樺一號投資合夥企業(有限合夥)) and Xin Wang as vendors,
- (iii) the share transfer agreement dated November 30, 2021 entered into between (i) Medcore Investment Limited, a wholly-owned subsidiary of the Company, as the purchaser, and (ii) Ningbo Yihui Investment Management Center (Limited Partnership) (寧波醫惠投資管理中心(有限合夥)), Shanghai Junwei Investment Management Center (Limited Partnership) (上海鈞衛投資管理中心(有限合夥)), Pingxiang Chengrui Management Consulting Partnership (Limited Partnership) (萍鄉成睿管理諮詢合夥企業(有限合夥)), Tianjin Tongchen Medical Technology Partnership (Limited Partnership) (天津同辰醫療科技合夥企業(有限合夥)), Ningbo Zhengyao Investment Management Center (Limited Partnership) (寧波正堔投資管理中心(有限合夥)) and Wang Tao (王滔), as the vendors, and (iii) Sichuan Ruijian Medical Technology Co. Ltd. (四川睿健醫療科技股份有限公司) as the target company,

- (iv) the loan agreement dated April 12, 2021 entered into between Beijing Tianxia Pule Medical Investment Co., Ltd.* (北京天下普樂醫療投資有限公司) and Beijing Fert Technology Co., Ltd.* (北京伏爾特技術有限公司), a wholly-owned subsidiary of the Company in relation to the provision of the loan in the principal amount of RMB180 million,
- (v) the share purchase agreement dated October 26, 2020 entered into between the Company and Biomedical Treasure Limited (“**Biomedical Treasure**”), pursuant to which the Company conditionally agreed to sell, and Biomedical Treasure conditionally agreed to purchase, 3,750,000 shares of China Biologic Products Holdings (“**CBPO Shares**”),
- (vi) the share purchase agreement dated October 26, 2020 entered into between the Company and Biomedical Future Limited (“**Biomedical Future**”), pursuant to which the Company conditionally agreed to sell, and Biomedical Future conditionally agreed to purchase, no less than 660,833 CBPO Shares and no more than 1,571,000 CBPO Shares,
- (vii) the share purchase agreement dated October 26, 2020 entered into between the Company and 2019B Cayman Limited (“**CITIC Capital**”), pursuant to which the Company conditionally agreed to sell, and CITIC Capital conditionally agreed to purchase, 910,167 CBPO Shares, and
- (viii) the letter agreements dated October 26, 2020 entered into between the Company and, among others, each of Biomedical Treasure, CITIC Capital and Biomedical Future, in connection with the disposal of certain CBPO Shares and in furtherance of the Company’s intention with regard to the privatization of China Biologic Products Holdings.

8. EXPERTS

- (a) The following are the qualifications of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Zero2IPO Capital Limited	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

- (b) Zero2IPO Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its report and/or letter and references to its name in the form and context in which it appears.
- (c) As at the Latest Practicable Date, Zero2IPO Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

- (d) As at the Latest Practicable Date, Zero2IPO Capital Limited had no interest in any asset which have been since December 31, 2021 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

9. MISCELLANEOUS

- (a) The secretary of the Company is Mr. WONG Tin Yu, a Chartered Secretary and an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (b) The registered office of the Company is situated at The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.
- (c) The principal place of business in Hong Kong of the Company is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (will be relocated to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong).
- (d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited which is situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (Will be relocated to 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on 15 August 2022).

Save as otherwise stipulated in this circular, in the event of any inconsistency between the English version and the Chinese version, the English version shall prevail.

10. DOCUMENTS ON DISPLAY

The following documents are published on the respective websites of Company (<http://www.pwmedtech.com>) and the Stock Exchange (www.hkexnews.hk) from the date of this circular up to 14 days thereafter:

- (i) the Sales of Medical Devices Framework Agreement;
- (ii) the letter from the Board, the text of which is set out in this circular;
- (iii) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;
- (iv) the letter from the Independent Financial Adviser, the text of which is set out in this circular;
- (vi) the written consent of the expert referred to in the paragraph headed "Expert" in this appendix; and
- (vii) this circular.

NOTICE OF EGM

PW MEDTECH GROUP LIMITED

普华和顺集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1358)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of PW Medtech Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) will be held at 10:00 a.m. on Wednesday, August 31, 2022 at Building 1, No. 23 Panlong West Road, Pinggu District, Beijing, the People’s Republic of China for the purposes of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

1. “**THAT**

- (a) the sales of medical devices framework agreement dated July 5, 2022 (the “**Sales of Medical Devices Framework Agreement**”) entered into between the Company and Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司) (“**Lepu Medical**”, together with its subsidiaries, the “**Lepu Medical Group**”) for the sales of medical devices from the Group to the Lepu Medical Group, and the transactions contemplated thereunder, be and are hereby confirmed, approved and ratified;
- (b) the estimated maximum values of for the total amount payable by Lepu Medical Group to the Group under the Sales of Medical Devices Framework Agreement for each of the three years ending December 31, 2022, 2023 and 2024 (the “**Annual Caps**”) be and are hereby approved and confirmed; and
- (c) any director of the Company be and is hereby authorized on behalf of the Company to do all such acts and sign, execute, seal (where required) and deliver the Sales of Medical Devices Framework Agreement and all such other documents and to take all such steps as the directors of the Company in their discretion may consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Sales of Medical Devices Framework Agreement and the transactions contemplated thereunder, and the Annual Caps.”

By order of the Board
PW Medtech Group Limited
普华和顺集团公司
Yue’e Zhang
Chairwoman

Hong Kong, August 11, 2022

NOTICE OF EGM

As at the date of this notice, the Board comprises one executive Director, namely, Ms. Yue'e Zhang; two non-executive Directors, namely, Mr. Jiang Liwei and Mr. Lin Junshan; and three independent non-executive Directors, namely, Mr. Wang Xiaogang, Mr. Chen Geng and Ms. Wang Fengli.

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting (or any adjournment thereof) is entitled to appoint a proxy to attend and vote instead of him/her/it. A proxy need not be a member of the Company. A member who is the holder of two or more shares of the Company may appoint more than one proxy to represent him/her/it to attend and vote on his/her/its behalf. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. In order to be valid, a form of proxy together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (if the form of proxy will be returned before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the form of proxy will be returned on or after 15 August 2022) as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Meeting (i.e. not later than 10:00 a.m. (Hong Kong time) on Monday, August 29, 2022) or any adjournment thereof (as the case may be). Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the form of proxy shall be deemed to be revoked.
3. To ascertain shareholders' eligibility to attend and vote at the Meeting, the register of members of the Company will be closed from Friday, August 26, 2022 to Wednesday, August 31, 2022 (both days inclusive), during which period no share transfer will be effected. In order to qualify for attending and voting at the Meeting, unregistered holders of shares of the Company should ensure that all completed transfer forms accompanied by the relevant share certificates are lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited (at its address shown in Note 2 above) for registration no later than 4:30 p.m. (Hong Kong time), on Thursday, August 25, 2022.