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WEGO 威高

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

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

(Stock Code: 1066)

CONTINUING CONNECTED TRANSACTIONS

On 29 June 2012, the Company announces that Weigao Orthopaedic and Medtronic SD renewed the 2012 OEM Agreement regarding the manufacture and sale of orthopaedic products by Weigao Orthopaedic to Medtronic SD.

Reference is made to the announcement of the Company dated 20 August 2010 relating to the 2010 OEM Agreement signed between Weigao Orthopaedic and Medtronic SD pursuant to which Weigao Orthopaedic manufactures and sells orthopaedic products to Medtronic SD. Due to the increase in demand for orthopaedic products from Medtronic SD, it is expected that there will be a continuing order placed from Medtronic SD to Weigao Orthopaedic to manufacture orthopaedic products, as such both parties agreed to revise the annual caps of the 2010 OEM Agreement and entered the 2012 OEM Agreement with the contractual period of three years ending 31 December 2014.

Medtronic owns an aggregate of 13.1% of the issued share capital of the Company and Medtronic SD, the wholly owned subsidiary of Medtronic is a connected person of the Company under the Listing Rules. The transactions between Weigao Orthopaedic and Medtronic SD constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* For identification purpose only

The proposed annual caps of the 2012 OEM Agreement for the three years ending 31 December 2014 shall be less than RMB50.0 million (equivalent to approximately HK\$61.4 million), RMB70.0 million (equivalent to approximately HK\$85.9 million) and RMB98.0 million (equivalent to approximately HK\$120.3 million) respectively. As each of the applicable percentage ratios (other than profit ratio) for the proposed annual caps under the 2012 OEM Agreement for the three years ending 31 December 2014 are higher than 0.1% but less than 5.0%, such transactions under the 2012 OEM Agreement are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement.

Details of the transactions will be included in the Company's next published annual report and accounts in compliance with Rules 14A.37 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

2012 OEM Agreement

On 29 June 2012, Weigao Orthopaedic and Medtronic SD entered into the 2012 OEM Agreement regarding the manufacture and sale of orthopaedic products by Weigao Orthopaedic to Medtronic SD. The precise values of manufacture and sale transactions are determined when purchase orders are actually agreed upon between Weigao Orthopaedic and Medtronic SD. The proposed annual caps of the 2012 OEM Agreement for each of the three years ending 31 December 2014 shall be less than RMB50.0 million (equivalent to approximately HK\$61.4 million), RMB70.0 million (equivalent to approximately HK\$85.9 million), RMB98.0 million (equivalent to approximately HK\$120.3 million) respectively, which are determined based on the forecasted order to be placed by Medtronic SD and the production cost with a reasonable margin. Saved as disclosed above, all of the existing terms and conditions under the 2012 OEM Agreement remain unchanged. The pricing shall be on normal commercial terms with reference to the manufacturing costs and manufacturing margin taking into accounts the purchase quantity, technical requirement and other conditions of the products offered. Weigao Orthopaedic recorded the transaction volume of approximately RMB16.3 million (equivalent to approximately HK\$19.6 million) and RMB27.1 million (equivalent to approximately HK\$33.3 million) with Medtronic SD for the previous two financial years of 2010 and 2011 respectively. Terms of the 2012 OEM Agreement are on market terms which are no more favourable to the connected person than those available to independent third parties.

REASONS FOR THE TRANSACTIONS

Medtronic is one of the global leaders in spinal implant offering a wide range of therapy. The Directors are of the view that Weigao Orthopaedic's technical capability will be enhanced by providing original equipment manufacturing for Medtronic. The 2012 OEM Agreement is entered into in the ordinary and usual course of business of the Group and is on normal commercial terms. The Board (including independent non-executive directors) is of the view that it is in the interest of the Shareholders as a whole to enter into the 2012 OEM Agreement as it will generate additional revenue to the Group as well as enhancing the Group's profitability.

COMPLIANCE REQUIREMENTS

Weigao Orthopaedic is a 100% owned subsidiary of the Company. Medtronic is a substantial Shareholder of the Company holding a 13.1% equity interest in the Company, and therefore Medtronic SD, the wholly owned subsidiary of Medtronic is a connected person of the Company. The transactions contemplated under the 2012 OEM Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2012 OEM Agreement are in the ordinary and usual course of business and conducted on normal commercial terms. The proposed annual caps of the 2012 OEM Agreement for the three years ending 31 December 2014 shall be less than RMB50.0 million (equivalent to approximately HK\$61.4 million), RMB70.0 million (equivalent to approximately HK\$85.9 million) and RMB98.0 million (equivalent to approximately HK\$120.3 million) respectively.

The annual caps are set with reference to forecasted sales to Medtronic SD by Weigao Orthopaedic for the three years ending 31 December 2014. As each of the applicable percentage ratios (other than profit ratio) for the proposed annual caps under the 2012 OEM Agreement for the three years ending 31 December 2014 are higher than 0.1% but less than 5.0%, such transactions are subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and are exempted from the independent shareholders' approval requirement. Particulars of the 2012 OEM Agreement will be disclosed in the annual report of the Company in accordance with Rule 14A.37 of the Listing Rules.

The Directors (including the independent non-executive directors) consider that the terms of the 2012 OEM Agreement are on normal commercial terms and are fair and reasonable, negotiated on an arm's length basis and in the interest of the Shareholders as a whole. As Medtronic is a connected person, the connected directors, including Mr. Li Bing Yung and Mr. Christopher J O'Connell abstained from voting in the board meeting of the Company to approve the resolution of the continuing connected transaction under the 2012 OEM Agreement.

GENERAL INFORMATION

The Group is principally engaged in the research and development, production and sale of single-use medical devices. The Group has a wide range of products, which includes: 1) consumables (infusion set, syringes, medical needles, blood bags, blood sampling products and other consumables); 2) orthopedic materials; and 3) blood purification consumables. The Group has a nationwide sales network and an extensive customer base of over 5,069 healthcare organizations, including over 2,951 hospitals and 414 blood stations.

Founded in 1949, Medtronic serves physicians, clinicians and patients in more than 120 countries. Headquartered in Minneapolis, Minnesota, United States, Medtronic is a global leader in medical technology. Medtronic provides device-based therapies that alleviate pain, spinal disorders, diabetes, urologic and digestive system disorders, and ear, noise and throat disorders. Medtronic's stock is traded on the New York Stock Exchange.

Medtronic SD is a global leader in products and services that advance the field of spinal and cranial surgery. Medtronic SD's emphasis on meeting the most intensive requirements of patient care today means services that meet the clinical demands of the surgeon and improve the quality of care for patient. Medtronic SD is headquartered in Memphis, Tennessee.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	Shandong Weigao Group Medical Polymer Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Medtronic”	Medtronic, Inc., a corporation incorporated under the laws of Minnesota, and the shares of which are listed on the New York Stock Exchange
“Medtronic SD”	Medtronic Sofamor Danek USA Inc, established in the State of Tennessee, the United States of America with its registered address at 1800 Pyramid Place, Memphis, Tennessee USA 38132 and is a wholly owned subsidiary of Medtronic, Inc.
“2010 OEM Agreement”	The agreement signed on 20 August 2010 regarding the manufacture of goods by Weigao Orthopaedic for, and sale of goods by Weigao Orthopaedic to subsidiaries of Medtronic on an OEM (original equipment manufacturing) basis for three years ending 31 December 2012
“2012 OEM Agreement”	The agreement signed on 29 June 2012 regarding the manufacture of goods by Weigao Orthopaedic for, and sale of goods by Weigao Orthopaedic to subsidiaries of Medtronic on an OEM for three years ending 31 December 2014
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of RMB0.1 each in the share capital of the Company
“Shareholders”	the holders of the Shares

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Weigao Orthopaedic”

山東威高骨科材料有限公司(Shandong Weigao Orthopedic Device Co., Limited was incorporated on 6 April 2005 in the PRC with limited liability and owned as to 100% by the Company

Exchange Rate: In this announcement, for reference only and unless otherwise specified, the translation of RMB into HK\$ is based on the exchange rate of RMB0.8144 = HK\$1.

By Order of the Board

Shandong Weigao Group Medical Polymer Company Limited

Chen Xue Li

Chairman

29 June 2012

Shandong, the PRC

As at the date of this announcement, the Board comprises:

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Miao Yan Guo (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Wang Zhi Fan (*Executive Director*)

Mr. Wu Chuan Ming (*Executive Director*)

Mr. Chen Xue Li (*Non-executive Director*)

Mrs. Zhou Shu Hua (*Non-executive Director*)

Mr. Li Bing Yung (*Non-executive Director*)

Mr. Christopher J.O’Connell (*Non-executive Director*)

Mr. Li Jia Miao (*Independent non-executive Director*)

Mr. Lo Wai Hung (*Independent non-executive Director*)

Mrs. Fu Ming Zhong (*Independent non-executive Director*)

Mrs. Wang Jin Xia (*Independent non-executive Director*)