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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
IN RESPECT OF
FRAMEWORK AGREEMENTS WITH WEIGAO HOLDING**

Reference is made to the announcements of the Company dated 15 November 2010, 1 April 2011, 27 May 2011, 19 August 2011 and 23 August 2013 regarding, among other things, the continuing connected transactions between the Company and Weigao Holding or between their respective subsidiaries for the sales and purchase of medical-based materials and consumables, premise leasing and provision of ancillary services in the PRC.

Following a review by the Company on the Group's recent business development and the continuing connected transactions between the Company and Weigao Holding or between their respective subsidiaries, the Directors consider that it would be more effective and efficient to apply for a maximum aggregate annual cap for all continuing connected transactions between the Company and Weigao Holding or between their respective subsidiaries in view of the expected growth in transaction value and business scope of the Company for coming three years from 1 January 2014 to 31 December 2016.

* For identification purpose only

The Company therefore entered into the Framework Purchase Agreement, the Framework Sales Agreement, the Framework Tenancy Agreement and the Framework Service Agreement (collectively the “Framework Agreements”) on 30 August 2013 to re-set maximum aggregate annual caps for the transactions between the Company and Weigao Holding or between their respective subsidiaries for the three years ending 31 December 2016.

LISTING RULES IMPLICATION ON THE FRAMEWORK PURCHASE AGREEMENT, FRAMEWORK SALES AGREEMENT, FRAMEWORK TENANCY AGREEMENT AND FRAMEWORK SERVICE AGREEMENT

Weigao Holding is the controlling shareholder of the Company and is therefore a connected person of the Company, the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Framework Agreements is expected to be more than 5% but less than 25% and the aggregated consideration, will be more than HK\$10,000,000, the transactions contemplated under the Framework Agreements constitute continuing connected transactions and are subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

SPECIAL GENERAL MEETING

A special general meeting will be convened and held by the Company to consider and, if thought fit approve the Framework Agreements and the respective annual caps of the Framework Purchase Agreement, the Framework Sales Agreement, the Framework Tenancy Agreement and the Framework Service Agreement for the three years ending 31 December 2016.

An Independent Board Committee (comprising all the independent non-executive Directors) has been formed to advise and provide recommendation to the Independent Shareholders on the Framework Agreements and the respective annual caps of the Framework Purchase Agreement, the Framework Sales Agreement, the Framework Tenancy Agreement and the Framework Service Agreement for the three years ending 31 December 2016.

China Galaxy International Securities (Hong Kong) Co., Limited, an independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreements and the respective annual caps of the Framework Purchase Agreement, the Framework Sales Agreement, the Framework Tenancy Agreement and the Framework Service Agreement for the three years ending 31 December 2016.

A circular containing the particulars of the Framework Agreements together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of SGM will be despatched as soon as practicable.

CONTINUING CONNECTED TRANSACTIONS WITH WEIGAO HOLDING

BACKGROUND

Reference is made to the announcements of the Company dated 15 November 2010, 1 April 2011, 27 May 2011, 19 August 2011 and 23 August 2013 regarding, among other things, the continuing connected transactions between the Company and Weigao Holding or between their respective subsidiaries for the sales and purchase of medical-based materials and consumables, premise leasing and provision of ancillary services in the PRC.

Following a review by the Company of the Group's recent business development and the existing continuing connected transactions between the Company and Weigao Holding or between their respective subsidiaries, the Board envisages that there would be an expected increase in the continuing connected transactions (in term of nature and transaction values) between the Company and Weigao Holding and their respective subsidiaries. Following the relocation to industry zone and expansion of production capacity of the Company, it is expected that there will be an increase in continuing connected transactions regarding the premises leasing between the Company and the Weigao Holding or between their respective subsidiaries, as well as the provision of transportation services, canteen and catering services for over 9,000 employees by Weigao Holding to the Company and its subsidiaries. Therefore, the Directors consider that it would be more effective and efficient to apply for a maximum aggregate annual cap by entering into the Framework Agreements to streamline and regulate the continuing connected transactions between the Company and Weigao Holding or between their respective subsidiaries in view of the expected growth in transaction value and business scope of the Company for the three years ending 31 December 2016.

THE FRAMEWORK AGREEMENTS

The Company entered into the Framework Purchase Agreement, Framework Sales Agreement, Framework Tenancy Agreement and Framework Service Agreement (collectively the “Framework Agreements”) on 30 August 2013 to re-set a maximum aggregate annual cap for the continuing connected transactions between the Company and Weigao Holding or their respective subsidiaries for the three years ending 31 December 2016, details of which are stated as follows.

A. FRAMEWORK PURCHASE AGREEMENT

Principal terms of the Framework Purchase Agreement:–

Date	30 August 2013
Parties	(1) the Company or its subsidiaries (2) Weigao Holding or its subsidiaries
Duration	For three years from 1 January 2014 to 31 December 2016.
Nature of transaction	The Company agrees to purchase or procure its subsidiaries to purchase, and Weigao Holding agrees to sell or procure its subsidiaries to sell, services and medical based products, including and not limited to, medical equipment, medical raw materials, sanitary products, medical packaging materials, pharmaceutical and fitting out services on a non-exclusive basis.
Pricing basis	Prices and terms of purchase with respect to medical equipment, medical raw materials, sanitary products, medical packaging materials, medical consumables pharmaceutical and fitting out services sold by Weigao Holding or its subsidiaries shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm’s length basis and at prices and terms no more favourable to the Weigao Holding or its subsidiaries than prices and terms available to or from independent third parties to the Group.

Payment terms	Pursuant to the Framework Purchase Agreement, the credit terms for the purchase of medical equipment, medical raw materials, sanitary products, medical packaging materials, medical consumables pharmaceutical and fitting out services by the Group shall be no less favourable than those given to independent third parties by Weigao Holding or its subsidiaries.
Condition and effective date	The Framework Purchase Agreement will become effective on 1 January 2014, subject to approval by the Independent Shareholders at the SGM.

The nature of products purchased or to be purchased are products including but not limited to medical equipment, medical raw materials, sanitary products, medical packaging materials, medical consumables pharmaceutical and fitting out services by the Company from Weigao Holding or its subsidiaries which are principally used by the Company for the manufacturing of single use consumable products and distribution to customers of the Company.

Historical Aggregate Value of Purchase from Weigao Holding

The total actual value of purchase transactions by the Company or its subsidiaries from Weigao Holding or its subsidiaries for the past two financial years ended 31 December 2012 and the six months ended 30 June 2013 are set out below.

	Year ended 31 December 2011	Year ended 31 December 2012	six months ended 30 June 2013
	<i>Approximately RMB</i>	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Actual Aggregate Purchase Transaction	50.6 million (equivalent to about HK\$64.1 million)	84.7 million (equivalent to about HK\$107.3 million)	42.0 million (equivalent to about 53.2 million)

Proposed Annual Caps for the Purchase from Weigao Holding

The proposed purchase annual caps in respect of the transactions contemplated under the Framework Purchase Agreement for each of the three years ending 31 December 2014, 2015 and 2016 are set out below.

	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
	<i>Less than RMB</i>	<i>Less than RMB</i>	<i>Less than RMB</i>
Proposed Aggregate Annual Caps for the Purchase Transaction	180.0 million (equivalent to about HK\$228.1 million)	230.0 million (equivalent to about HK\$291.4 million)	302.0 million (equivalent to about HK\$382.7 million)

The proposed annual caps for the transactions have been determined with reference to the estimated future demand for medical equipment, medical raw materials, sanitary products, medical packaging materials, medical consumables pharmaceutical and fitting out services by the Company or its subsidiaries from Weigao Holding or its subsidiaries after taking into consideration of the future business growth and development and the increase in demand for products and increase in overall production capacity of the Company.

B. FRAMEWORK SALES AGREEMENT

Principal terms of the Framework Sales Agreement:–

Date	30 August 2013
Parties	1. the Company or its subsidiaries 2. Weigao Holding or its subsidiaries
Duration	For three years from 1 January 2014 to 31 December 2016.

Nature of transaction	The Company agrees to sell or procure its subsidiaries to sell, and Weigao Holding agrees to purchase or procure its subsidiaries to purchase, including and not limited to, disposal medical devices and moulding on a non-exclusive basis.
Pricing basis	Prices and terms of sales with respect to products sold, including but not limited to disposal medical devices and moulding by the Group shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and terms no more favourable to the Weigao Holding or its subsidiaries than prices and terms available to or from independent third parties to the Group.
Payment terms	Pursuant to the Framework Sales Agreement, the credit terms for the sale of disposal medical devices and moulding to Weigao Holding or its subsidiaries shall be no more favourable than those given to independent third parties by the Group.
Condition and effective date	The Framework Sales Agreement will become effective on 1 January 2014, subject to approval by the Independent Shareholders at the SGM.

The nature of product sold or to be sold, including but not limited to disposal medical devices and moulding by the Company or its subsidiaries to Weigao Holding or its subsidiaries are principal products produced by the Company in the ordinary course of business.

Historical Aggregate Value of Sales to Weigao Holding

The total actual value of sales by the Company or its subsidiaries to Weigao Holding or its subsidiaries for the past two financial years ended 31 December 2012 and the six months ended 30 June 2013 and the estimated annual caps for the transactions in respect of the Framework Sales Agreement are set out below.

	Year ended 31 December 2011	Year ended 31 December 2012	six months ended 30 June 2013
	<i>Approximately RMB</i>	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Actual Aggregate Sales Transaction	7.2 million (equivalent to about HK\$9.1 million)	11.3 million (equivalent to about HK\$14.3 million)	6.5 million (equivalent to about HK\$8.2 million)

Proposed Annual Caps for the Sales

The proposed annual caps in respect of the transactions contemplated under the Framework Sales Agreement for each of the three years ending 31 December 2014, 2015 and 2016 are set out below.

	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
	<i>Less than RMB</i>	<i>Less than RMB</i>	<i>Less than RMB</i>
Proposed Aggregate Annual Caps for the Sales Transaction	28.0 million (equivalent to about HK\$35.5 million)	35.0 million (equivalent to about HK\$44.3 million)	44.0 million (equivalent to about HK\$55.8 million)

The proposed annual caps for the sales by the Company or its subsidiaries to Weigao Holding or its subsidiaries have been determined with reference to the estimated future growth in business and demand for products by Weigao Holding or its subsidiaries from the Company after taking into consideration of the historical trend and expected growth of healthcare industry.

C. FRAMEWORK TENANCY AGREEMENT

Principal terms of Framework Tenancy Agreement:–

Date	30 August 2013
Parties	1. the Company or its subsidiaries 2. Weigao Holding or its subsidiaries
Duration	For three years from 1 January 2014 to 31 December 2016.
Nature of transaction	Lease of premises located at industrial zone at Chucun in Weihai in Shandong Province, the PRC between the Company and Weigao Holding or between their subsidiaries
Pricing basis	With reference to the market comparable in Weihai.
Condition and effective date	The Framework Tenancy Agreement will become effective on 1 January 2014, subject to approval by the Independent Shareholders at the SGM.

Historical Rent Paid to Weigao Holding

	Year ended 31 December 2011 RMB	Year ended 31 December 2012 RMB	six months ended 30 June 2013 RMB
Actual annual rent paid	2.1 million (equivalent to about HK\$2.7 million)	2.1 million (equivalent to about HK\$2.7 million)	1.1 million (equivalent to about HK\$1.3 million)

Proposed Annual Caps for Rents to be Paid to Weigao Holding

The proposed annual caps for rental payment contemplated under the Framework Tenancy Agreement for each of the three years ending 31 December 2016 are set out below.

	Year ending 31 December 2014 <i>Less than RMB</i>	Year ending 31 December 2015 <i>Less than RMB</i>	Year ending 31 December 2016 <i>Less than RMB</i>
Proposed Aggregate Annual Rental Caps	25.0 million (equivalent to about HK\$31.7 million)	25.0 million (equivalent to about HK\$31.7 million)	25.0 million (equivalent to about HK\$31.7 million)

D. FRAMEWORK SERVICES AGREEMENT

Principal terms of Framework Services Agreement:–

Date	30 August 2013
Parties	1. the Company or its subsidiaries 2. Weigao Holding or its subsidiaries
Duration	For three years from 1 January 2014 to 31 December 2016
Nature of transaction	Procurement of factory worker transportation services, dormitory, canteen and catering services by Weigao Holding or its subsidiaries to the Company or its subsidiaries
Pricing basis	With reference to services available in the market and provided by independent third parties
Condition and effective date	The Framework Services Agreement will become effective on 1 January 2014, subject to approval by the Independent Shareholders at the SGM.

Proposed Annual Caps for the Services

The proposed annual caps in respect of the transactions contemplated under the Framework Services Agreement for each of the three years ending 31 December 2014, 2015 and 2016 are set out below.

	Year ending 31 December 2014	Year ending 31 December 2015	Year ending 31 December 2016
	<i>Less than RMB</i>	<i>Less than RMB</i>	<i>Less than RMB</i>
Proposed Aggregate Annual Caps	64.0 million (equivalent to about HK\$81.1 million)	70.0 million (equivalent to about HK\$88.7 million)	78.0 million (equivalent to about HK\$98.8 million)

REASONS FOR AND BENEFITS OF ENTERING INTO FRAMEWORK AGREEMENTS

The Company has been conducting business with Weigao Holding since the Company became listed on the Stock Exchange in 2004. Weigao Holding is a conglomerate corporate and a reliable supplier as a long term and reputable business associate with profound experiences in sectors, including but not limited to the production of medical equipment, sanitary products, medical packaging materials, pharmaceuticals, provision of fitting out services, property development and construction and provision of catering services. Upon recent review of the Group's business development and its anticipation of the increase in the scope and transaction amounts of the products and services to be provided to and by the Company, the Directors proposed to enter into the Framework Agreements which would provide a more comprehensive binding contract for different categories of goods and services between the Company and Weigao Holding or between their respective subsidiaries. The aggregation of all the existing and foreseeable ongoing continuing connected transactions with the Company under the Framework Agreements will provide a single basis on which the Company will seek prior Independent Shareholders' approval and thereby targeting to reduce the administrative burden on the Company to comply with the reporting and Independent Shareholders' approval requirement under the Listing Rules in relation to the execution or renewal of the individual agreements.

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

The Directors (excluding the independent non-executive directors whose views will be given after taking into account the advice from the Independent Financial Adviser) are of the view that the aggregate annual caps for the Framework Agreements are fair and reasonable and in the interest of the Company and Shareholders as a whole. Directors attended the board meeting dated 19 August 2013, namely Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua and Mr. Wang Yi, directors of the Company are also directors of Weigao Holding, being the connected parties were abstained from voting in the relevant resolutions of the board meeting of the Company.

INFORMATION REGARDING THE COMPANY AND WEIGAO HOLDING

The Company

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 and equipment. The Group has a nationwide sales network and an extensive customer base of over 5,000 healthcare organizations, including over 3,000 hospitals and 414 blood stations.

Weigao Holding

Weigao Holding is a conglomerate corporate and has investment and engaged in different business sectors, including production and sales of pharmaceutical and medical equipment, logistic services, property development and food and beverage services in China. Weigao Holding is the controlling shareholder holds 48.25% of the total issued share capital of the Company, and therefore is thus a connected person of the Company pursuant to the meaning of the Listing Rules. The transactions contemplated under the Framework Agreements, therefore constitute continuing connected transactions of the Company.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISOR

An Independent Board Committee (comprising all the independent non-executive Directors) has been appointed to advise and provide recommendation to the Independent Shareholders on the Framework Agreements. China Galaxy International Securities (Hong Kong) Co., Limited, an independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreements and the respective annual caps of the Framework Purchase Agreement, the Framework Sales Agreement, the Framework Tenancy Agreement and the Framework Services Agreement for the three years ending 31 December 2016.

DESPATCH OF CIRCULAR

A circular containing the particulars of the Framework Agreements, together with a letter from the Independent Board Committee, a letter from the Independent Financial Adviser and a notice of the SGM is expected to be despatched to Shareholders as soon as practicable.

GENERAL

Weigao Holding is the controlling shareholder of the Company and is therefore a connected person of the Company, the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules. As the highest applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of the Framework Agreements is expected to be more than 5% but less than 25% and the total consideration, will be more than HK\$10,000,000, the continuing connected transactions contemplated under the Framework Agreements constitute continuing connected transactions and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITION

“Board”	the board of directors of the Company
“Company”	Shandong Weigao Group Medical Polymer Company Limited, a company incorporated in the People's Republic of China, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Framework Agreements”	Framework Purchase Agreement, Framework Sales Agreement, Framework Tenancy Agreement and Framework Services Agreement,
“Framework Purchase Agreement”	framework purchase agreement entered into between the Company and Weigao Holding and their respective subsidiaries dated 30 August 2013

“Framework Sales Agreement”	framework sales agreement entered into between the Company and Weigao Holding and their respective subsidiaries dated 30 August 2013
“Framework Tenancy Agreement”	framework tenancy agreement entered into between the Company and Weigao Holding and their respective subsidiaries dated 30 August 2013
“Framework Services Agreement”	framework services agreement entered into between the Company and Weigao Holding and their respective subsidiaries dated 30 August 2013
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, to consider the transactions contemplated under the Framework Agreements and the relevant annual caps
“Independent Financial Adviser”	China Galaxy International Securities (Hong Kong) Co., Limited, a corporation licensed to carry out business in Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the Framework Agreements and the relevant annual caps
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macau Special Administrative Region
“SGM” or “Special General Meeting”	Special General Meeting of the Company to be convened on 15 November 2013 for the purpose of considering and, if thought fit, approving the Framework Agreements and respective annual caps

“Weigao Holding”	Weigao Holding Company Limited, established in the PRC on 4 August 1998 with limited liability and is a controlling shareholder holding 48.25% equity interest in the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

Exchange Rate: In this announcement, for reference only and unless otherwise specified, the translation of Yen into HK\$ is based on the exchange rate of RMB0.7892 = HK\$1.00.

Shandong Weigao Group Medical Polymer Company Limited
Chen Xue Li
Chairman

30 August 2013
Shandong, the PRC

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

Mr. Zhang Hua Wei (*Executive Director*)
Mr. Wang Yi (*Executive Director*)
Mr. Gong Jian Bo (*Executive Director*)
Mr. Xia Lie Bo (*Executive Director*)
Mr. Chen Xue Li (*Non-executive Director*)
Mrs. Zhou Shu Hua (*Non-executive Director*)
Mr. Lo Wai Hung (*Independent non-executive Director*)
Mr. Li Jia Miao (*Independent non-executive Director*)
Mrs. Fu Ming Zhong (*Independent non-executive Director*)
Mrs. Wang Jin Xia (*Independent non-executive Director*)