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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)**

## **PROPOSED REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Announcement in relation to, among others, the CCT Agreements. On 27 September 2019, the Group entered into the Supplemental Agreements to revise the annual caps of the CCT Agreements.

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

### **THE PROPOSED REVISED ANNUAL CAPS**

Reference is made to the Announcement in relation to, among others, the CCT Agreements. On 27 September 2019, the Group entered into the Supplemental Agreements to revise the annual caps of the CCT Agreements.

**(1) The Supplemental Finance Leasing and Factoring Framework Agreement**

The principal terms of the Finance Leasing and Factoring Framework Agreement are set out in the section headed “E. Finance Leasing and Factoring Framework Agreement” of the Announcement. Under the Supplemental Finance Leasing and Factoring Framework Agreement, the annual caps are proposed to be revised as follows:

	<b>Year ending 31 December 2019 <i>approximately RMB</i></b>	<b>Year ending 31 December 2020 <i>approximately RMB</i></b>
Original annual caps	310.0 million	310.0 million
Proposed revised annual caps	500.0 million	500.0 million

Except for the annual caps, the principal terms of the Finance Leasing and Factoring Framework Agreement remain unchanged.

**(2) The Supplemental Logistic & Distribution Services Framework Agreement**

The principal terms of the Logistic & Distribution Services Framework Agreement are set out in the section headed “F. Logistic and Distribution Services Framework Agreement 2018” of the Announcement. Under the Supplemental Logistic & Distribution Services Framework Agreement, the annual caps are proposed to be revised as follows:

	<b>Year ending 31 December 2019 <i>approximately RMB</i></b>	<b>Year ending 31 December 2020 <i>approximately RMB</i></b>
Original annual caps	310.0 million	310.0 million
Proposed revised annual caps	450.0 million	600.0 million

Except for the annual caps, the principal terms of the Logistic & Distribution Services Framework Agreement remain unchanged.

### (3) The Supplemental Purchase Framework Agreement

The principal terms of the Purchase Framework Agreement are set out in the section headed “A. Purchase Framework Agreement” of the Announcement. Under the Supplemental Purchase Framework Agreement, the annual caps are proposed to be revised as follows:

	<b>Year ending 31 December 2019</b> <i>approximately RMB</i>	<b>Year ending 31 December 2020</b> <i>approximately RMB</i>
Original annual caps	310.0 million	310.0 million
Proposed revised annual caps	400.0 million	500.0 million

Except for the annual caps, the principal terms of the Purchase Framework Agreement remain unchanged.

## REASONS FOR THE REVISED ANNUAL CAPS

### (1) The Supplemental Finance Leasing and Factoring Framework Agreement

The table below sets out the actual transaction amounts for the year ended 31 December 2018 and the six months ended 30 June 2019.

	<b>For the year ended 31 December 2018</b> <i>(RMB'000)</i>	<b>For the six months ended 30 June 2019</b> <i>(RMB'000)</i>
Actual transaction amount	283,788	<b>184,240</b>

As shown in the table, the actual transaction amount for the six months ended 30 June 2019 under the Finance Leasing and Factoring Framework Agreement has reached approximately 59.4% of the original annual cap for the year ended 31 December 2019. The revised annual cap was determined with reference to the following factors:

- (a) the expected business growth of the Finance Companies;
- (b) the expected growth of business and finance leasing and factoring services demand from Weigao Holding; and
- (c) the available bank balance and cash of the Group and the good historical repayment record of Weigao Holding Group.

**(2) The Logistic & Distribution Services Framework Agreement**

The table below sets out the actual transaction amounts for the year ended 31 December 2018 and the six months ended 30 June 2019.

	For the year ended 31 December 2018 <i>(RMB'000)</i>	<b>For the six months ended 30 June 2019 <i>(RMB'000)</i></b>
Actual transaction amount	Nil	<b>157,950</b>

The revised annual caps were determined with reference to the following factors:

- (a) the “two invoices system” practice launched and rolled out in different provinces in phases in the PRC, with the objective to consolidate the fragmented distributors in the medical device industry. The Company and the Distribution Company Group are the medical device manufacturer and medical device logistic service provider in the PRC, respectively; and
- (b) the expected growth in medical device industry.

### (3) The Purchase Framework Agreement

The table below sets out the actual transaction amounts for the year ended 31 December 2018 and the six months ended 30 June 2019.

	For the year ended 31 December 2018 <i>(RMB'000)</i>	<b>For the six months ended 30 June 2019 <i>(RMB'000)</i></b>
Actual transaction amount	259,996	<b>192,762</b>

As shown in the table, the actual transaction amount for the six months ended 30 June 2019 under the Purchase Framework Agreement has reached approximately 62.2% of the original annual cap for the year of 2019.

The revised annual caps were determined with reference to the anticipated demand for products from Weigao Holding for the financial year ending 31 December 2019 and 2020 based on the historical demand as set out above.

As at the date of this announcement, none of the annual caps under the CCT Agreements have been exceeded.

In light of the above, the Directors (other than Mr. Zhang Hua Wei, Mr. Long Jing, Mr. Wang Yi, Mrs. Zhou Shu Hua and Mr. Gong Jian Bo and the independent non-executive Directors whose view will be given after taking the advice from the Independent Financial Adviser) consider that the Supplementary Agreements were entered into in the usual and ordinary course of business of the Group, are conducted on an arm's length basis and on normal commercial terms (including the revised annual caps), and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Mr. Zhang Hua Wei, Mr. Long Jing, Mr. Wang Yi, Mrs. Zhou Shu Hua and Mr. Gong Jian Bo, who are also directors of Weigao Holding, have abstained from voting in the relevant resolutions of the board meeting of the Company.

## **LISTING RULES IMPLICATIONS**

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

## **EGM**

The Independent Board Committee has been formed to consider whether the terms of the CCT Agreements and the transactions contemplated thereunder, and the annual caps are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders as to voting at the EGM. The Independent Financial Advisor has been appointed by the Company to advise the Independent Board Committee and the independent Shareholders in this regard.

A circular containing (i) further details of the transactions contemplated under the CCT Agreements (as amended by the Supplemental Agreements); (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Advisor; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 27 September 2019.

## DEFINITIONS

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

“Announcement”	the announcement of the Company dated 5 December 2018 in relation to, among others, the CCT Agreements
“Board”	the board of directors of the Company
“CCT Agreements”	the Finance Leasing and Factoring Framework Agreement, the Logistic & Distribution Services Framework Agreement and the Purchase Framework Agreement
“Company”	Shandong Weigao Group Medical Polymer Company Limited* (山東威高集團醫用高分子製品股份有限公司), a joint stock limited company incorporated in the People’s Republic of China with limited liability and the Shares of which are listed on the Stock Exchange
“connected person”	has the same meaning ascribed to it under the Listing Rules
“Distribution Company”	山東威高醫藥有限公司(Shandong Weigao Medical Company Limited*), a company established under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding
“Distribution Company Group”	山東威高醫藥有限公司(Shandong Weigao Medical Company Limited*), a company established under the laws of the PRC with limited liability and its subsidiaries. They are wholly owned subsidiaries of Weigao Holding
“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, the Proposed Revised Annual Caps
“Finance Companies”	Finance Company A and Finance Company B

“Finance Company A”	山東威高融資租賃有限公司 (Shandong Weigao Financial Leasing Company Limited*), a company established under the laws of the PRC with limited liability, and a wholly owned subsidiary of the Company
“Finance Company B”	上海威高融資租賃有限公司 (Shanghai Weigao Financial Leasing Company Limited*) a company established under the laws of the PRC with limited liability, and a wholly owned subsidiary of the Company
“Finance Leasing and Factoring Framework Agreement”	the agreement dated 5 December 2018 entered into between the Finance Companies and Weigao Holding, details of which are set out in the section headed “E. Finance Leasing and Factoring Framework Agreement” of the Announcement
“Group”	the Company and any of its subsidiaries
“Independent Shareholders”	the Shareholders, other than the Weigao Holding, being Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua, Mr. Wang Yi and their respective associates (as defined in the Listing Rules)
“Independent Board Committee”	an committee of the Board comprising all the independent non-executive Directors
“Independent Financial Adviser”	Halcyon Capital Limited, a corporation licensed under the SFO to conduct Type 6 (advising on corporate finance) regulated activity
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistic & Distribution Services Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and the Distribution Company, details of which are set out in the section headed “F. Logistic and Distribution Services Framework Agreement 2018” of the Announcement



“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macau Special Administrative Region
“Proposed Revised Annual Caps”	the proposed revision of annual caps to the CCT Agreements under the Supplemental Agreements
“Purchase Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Weigao Holding, details of which are set out in the section headed “A. Purchase Framework Agreement” of the Announcement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholders”	holders of the Shares
“Shares”	H-shares of the Company
“Supplemental Agreements”	the Supplemental Finance Leasing and Factoring Framework Agreement, the Supplemental Logistic & Distribution Services Framework Agreement and the Supplemental Purchase Framework Agreement
“Supplemental Finance Leasing and Factoring Framework Agreement”	the agreement dated 27 September 2019 entered into between parties to the Finance Leasing and Factoring Framework Agreement to amend the annual caps of the Finance Leasing and Factoring Framework Agreement
“Supplemental Logistic & Distribution Services Framework Agreement”	the agreement dated 27 September 2019 entered into between parties to the Logistic & Distribution Services Framework Agreement to amend the annual caps of the Logistic & Distribution Services Framework Agreement

“Supplemental Purchase Framework Agreement”	the agreement dated 27 September 2019 entered into between parties to the Purchase Framework Agreement to amend the annual caps of the Purchase Framework Agreement
“Weigao Holding Group”	Weigao Holding and any of its subsidiaries (other than the Company)
“Weigao Holding”	Weigao Holding Company Limited (威高集團有限公司*), a company established under the laws of the PRC with limited liability and a controlling shareholder of the Company, holding 47.76% of the issued share capital of the Company as at the date of this announcement

By Order of the Board  
**Shandong Weigao Group Medical Polymer Company Limited**  
**Zhang Hua Wei**  
*Chairman*

\* *for identification purposes only.*

Hong Kong, 27 September 2019

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

Mr. Zhang Hua Wei (*Executive Director*)

Mr. Long Jing (*Executive Director*)

Mr. Wang Yi (*Executive Director*)

Mr. Gong Jian Bo (*Executive Director*)

Mrs. Zhou Shu Hua (*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*)