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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)

**EXEMPTED CONNECTED TRANSACTION –
ACQUISITION OF INDIRECT INTEREST IN WEIGAO ORTHO**

ACQUISITION OF INDIRECT INTEREST IN WEIGAO ORTHO

The Seller agreed to sell and the Purchaser agreed to buy 28.57% in the Limited Partnership for approximately RMB84.7 million (equivalent to HK\$92.4 million). The cash consideration for the Acquisition will be paid within 30 days from the date of the Acquisition Agreement.

The Limited Partnership is a limited partnership holding 23,333,333 Ortho Shares, representing 6.51% shares in Weigao Ortho.

The Seller is a director of Weigao Ortho and the Company and a connected person of the Company. The Acquisition constituted a connected transaction for the Company for the purpose of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition Agreement are more than 0.1% and less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

* For identification purpose only

ACQUISITION AGREEMENT

Date: 21 May 2020

Parties:

- (1) Mr. Gong as the Seller
- (2) Weigao Xinda as the Purchaser

Assets to be acquired

The Seller agreed to sell and the Purchaser agreed to buy 28.57% in the Limited Partnership for approximately RMB84.7 million (equivalent to HK\$92.4 million).

The Limited Partnership is a limited partnership holding 23,333,333 Ortho Shares, representing 6.51% shares in Weigao Ortho. It is principally engaged in the sales of electronic products and research and development of computer hardware and software.

Considerations

The cash consideration for the Acquisition of approximately RMB84.7 million (equivalent to HK\$92.4 million) was determined with reference to approximately 10% annual investment return to the Seller. The cash consideration for the Acquisition will be paid within 30 days from the date of the Acquisition Agreement. The Group will fund the Acquisition from its internal resources.

Information on Weigao Ortho and Limited Partnership

Weigao Ortho is principally engaged in the manufacturing of orthopaedic medical device products. The consolidated financial information of Weigao Ortho and its subsidiaries for the two years ended 31 December 2019 was as follows:

	Year ended 31 December 2019 Audited (RMB'000)	Year ended 31 December 2018 Audited (RMB'000)
Net Assets	1,989,420	1,847,043
Revenue	1,583,319	1,185,862
Net Profit before taxation and extraordinary items	524,618	359,674
Net Profit after taxation and extraordinary items	448,051	303,307

The financial information of Limited Partnership for the two years ended 31 December 2019 was as follows:

	Year ended 31 December 2019 Audited (RMB'000)	Year ended 31 December 2018 Audited (RMB'000)
Net Assets	273,671	217,677
Revenue	0	0
Net Profit before taxation and extraordinary items	55,994	0
Net Profit after taxation and extraordinary items	55,994	0

Information on the Seller

The Seller is a director of Weigao Ortho and the Company. The interest in the Limited Partnership was subscribed by the Seller on 19 May 2016 for approximately RMB62.2 million. The subscription was aimed to recognize the contribution of and incentivize the Seller, align his interests with those of Weigao Ortho and encourage him to optimize his performance and efficiency so as to maximize the equity return of the Group. Details of the subscription were announced by the Company in the announcement dated 25 May 2016. The Seller made a profit of approximately RMB22.4 million (equivalent to HK\$24.4 million) from the sale of his interest in the Limited Partnership to the Purchaser.

Information on the Purchaser

Weigao Xinda is wholly owned by the Company and was formed solely for the purpose of holding the interest in the Limited Partnership for investment.

Information on the Group

The Group is a total solution provider in the medical device sector in China and 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: infusion sets, syringes, needles, orthopaedic products, interventional products, pharma packaging products, blood management products and is also engaged in financial leasing and factoring businesses in China.

Reasons and Benefits for the Acquisition

The Acquisition is to recognise the past contribution of Mr. Gong in establishing Weigao Ortho as one of the key dominant players in the industry, expanding Weigao Ortho product lines and the growth of Weigao Ortho over the years. Weigao Ortho is one the core business segment of the Group. The increase in the interest in Weigao Ortho will further enhance the profitability of the Group.

The Directors (including the independent non-executive Directors but excluding Mr. Gong) consider the Acquisition is on normal commercial terms and in the ordinary and usual course of business of the Group, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Gong is the Seller and a connected person. As a result, Mr. Gong has abstained from voting on the board resolution for approving the Acquisition.

Listing Rules Implications

The Seller is a director of Weigao Ortho and the Company and is considered a connected person of the Company. The Acquisition constituted a connected transaction for the Company for the purpose of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisition Agreement are more than 0.1% and less than 5%, the Acquisition is subject to the reporting and announcement requirements but exempted from the independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of 28.57% in the Limited Partnership from the Seller by the Purchaser in accordance with the terms of the Acquisition Agreement;
“Acquisition Agreement”	the agreement dated 21 May 2020 entered into between the Seller and the Purchaser in respect of the Acquisition;

“Company”	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 established in the PRC, the H shares of which are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Limited Partnership”	威海弘陽瑞信息技術中心(有限合夥)(Weihai Hongyangrui Information Technology Centre (Limited Partnership)*) a limited partnership registered under the laws of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Ortho Shares”	shares in Weigao Ortho;
“PRC”	the People’s Republic of China and for the purpose of this announcement excluding Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC;
“Purchaser” or “Weigao Xinda”	威海威高信達企業管理諮詢服務有限公司 (Weihai Weigao Xingda Enterprise Management Consulting Services Company Limited*), a wholly owned subsidiary of the Company established in the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Seller” or “Mr. Gong”	Mr. Gong Jianbo, an executive Director and an executive director of Weigao Ortho;
“Shareholders”	the shareholders of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Weigao Ortho”	山東威高骨科材料股份有限公司 (Shandong Weigao Orthopaedic Device Company Limited*), a foreign invested joint stock company with limited liability converted under the laws of the PRC on 3 November 2014 and a non-wholly owned subsidiary of the Company as at the date of the Acquisition Agreement and the date of this announcement;
“%”	per cent.

For illustration purpose, amounts in RMB in this announcement have been translated to HK\$ at HK\$1.00 = RMB0.9162.

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Zhang Huawei
Chairman

Weihai, Shandong, the PRC, 21 May 2020

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*)

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