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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 SPIN-OFF AND SEPARATE LISTING OF
SHANDONG WEIGAO ORTHOPAEDIC DEVICE
COMPANY LIMITED
ON THE SCI-TECH BOARD OF
THE SHANGHAI STOCK EXCHANGE**

Reference is made to the announcements of the Company dated 30 December 2019 and 11 June 2020 (the “**Announcements**”) regarding the Proposed Spin-off and Listing. Terms defined in this announcement shall have the same meaning as those defined in the Announcements.

UPDATE ON THE PROPOSED SPIN-OFF AND LISTING

As noted in the announcement of the Company dated 11 June 2020, Weigao Ortho has submitted a listing application to the Shanghai Stock Exchange for the listing of Weigao Ortho on the Sci-Tech Board.

In accordance with the requirements of Practice Note 15 to the Listing Rules, the Proposed Spin-off and Listing would require the approval of the Stock Exchange. The Board is pleased to announce that on 17 July 2020, the Company has received the approval from the Stock Exchange with regard to the Proposed Spin-off and Listing.

* *For identification purpose only*

REASONS AND RATIONALE FOR THE PROPOSED SPIN-OFF AND LISTING

It is considered commercially desirable and in the interest of the shareholders of the Company to obtain a separate listing of the Weigao Ortho (together with its subsidiaries, the “**Spin-off Group**”), which is expected to also create greater value for the Company and its shareholders as a whole for the following reasons:

- (1) the Proposed Spin-off and Listing will allow the Company and its shareholders an opportunity to realise their fair value of investment in the Spin-off Group;
- (2) the Proposed Spin-off and Listing will enable the Spin-off Group to build its identity as a separately listed group, and will provide separate fund-raising platforms for the Company and its subsidiaries (excluding the Spin-off Group) (the “**Retained Group**”) and the Spin-off Group. Such platform would allow the Spin-off Group to gain direct access to the capital market for equity and/or debt financing to fund its existing operations and future expansion without reliance on the Company, thereby accelerating its expansion and improving its operating and financial performance, which in turn will provide better reward to the shareholders of both the Retained Group and the Spin-off Group;
- (3) as a separately listed group, the Spin-off Group will be able to further build on its reputation and be in a better position to negotiate and solicit more businesses, and the Company will in turn be able to benefit from the growth of the Spin-off Group through its shareholding in Weigao Ortho;
- (4) the Proposed Spin-off and Listing will increase the operational and financial transparency and improve the corporate governance of the Spin-off Group and provide investors, financial institutions and rating agencies with greater clarity on the businesses and financial status of the Retained Group and the Spin-off Group on a stand-alone basis, and such improvements will help to build investor confidence in forming investment decisions based on their assessment of the performance, management, strategy, risks and returns of both the Retained Group and the Spin-off Group;

- (5) the Proposed Spin-off and Listing will enable the Spin-off Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for the Spin-off Group, for investment in and forming strategic partnerships directly with the Spin-off Group;
- (6) the stock performance of the Spin-off Group can serve as a separate benchmark for the evaluation of the performance of the Spin-off Group which could in turn serve as an incentive for the management of the Spin-off Group to seek improvement and raise management and operating efficiency of the Spin-off Group on an ongoing basis; and
- (7) the Proposed Spin-off and Listing would enable a more focused development, strategic planning and better allocation of resources for the Retained Group and the Spin-off Group with respect to their respective businesses, and both the Retained Group and the Spin-off Group would benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities.

ASSURED ENTITLEMENT

The Stock Exchange has also granted the Company a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under paragraph 3(f) of PN15 (the “**Waiver**”) on the condition that the Company would include in an announcement: (i) the Board’s confirmation to the Company that the Proposed Spin-off and Listing and the Waiver are fair and reasonable and in the interests of the Company and its shareholders as a whole; (ii) the reasons for not providing its shareholders with assured entitlements to the shares in Weigao Ortho under the Proposed Spin-off and Listing; and (iii) the legal restriction in providing the assured entitlement.

In accordance with the requirements of the Listing Rules, the Board is required to give due regard to the interests of the existing shareholders of the Company by providing them with an assured entitlement to the shares of Weigao Ortho, if the Proposed Spin-off and Listing proceeds. After due and careful consideration of the Proposed Spin-off and Listing and having taken into account the advice from the Company's PRC legal counsel, the Board has resolved not to provide assured entitlement to the shareholders of the Company under the Proposed Spin-off and Listing for the following reasons:

- (a) As advised of the Company's PRC legal counsel, only the following categories of investors (the "**PRC Qualified Investors**") may open securities account and invest in shares listed on the stock exchanges in the PRC, including the Sci-Tech Board (the "**PRC Stock Exchange**"):
 - (i) Domestic investors: PRC citizens who are 18 years of age or older (including PRC citizens who are 16 years of age or older but under 18 years of age and use their own labour as their main source of income for living), foreigners who have obtained permanent residence status in the PRC, and ordinary institutional investors (refers to corporate legal persons, corporate societies, legal persons such as institutional entities, and non-corporate institutions such as partnerships and unincorporated venture capital enterprises, excluding special institutions and products established according to law); and
 - (ii) Foreign investors: residents of Hong Kong, the Macao Special Administrative Region and Taiwan, and foreign strategic investors, qualified foreign institutional investors (QFII), RMB qualified foreign institutional investors (RQFII) who work and live on the mainland.

Save for the above, other foreign investors, natural persons in Hong Kong, Macao Special Administrative Region and Taiwan, foreign institutions and institutions in Hong Kong, Macao Special Administrative Region and Taiwan are restricted from opening A-share securities accounts.

In addition, according to the Measures for the Administration of the Offering and Underwriting of Securities and other relevant laws and regulations of the PRC, issuers who apply for an initial public offering of Shares on the PRC Stock Exchange may offer securities online or offline but will not be entitled to make preferential allocation in any manner in accordance with their respective allocation procedures.

- (b) Upon review of the register of members of the Company, the Company submits that the majority of the Company's shareholders are not PRC Qualified Investors. As such, the Company is not expected to be able to provide the majority of its shareholders with any assured entitlement to the shares of Weigao Ortho upon completion of the Proposed Spin-off and Listing, other than through the continuing shareholding in the Company.

Having considered the above and the reasons for and benefits of the Proposed Spin-off and Listing, the Board is of the view that the Proposed Spin-off and Listing and the Waiver are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

GENERAL

The Company will issue further announcement(s) in compliance with the requirements of the Listing Rules when the Shanghai Stock Exchange approves the Proposed Spin-off and Listing.

Shareholders and other investors are reminded that the Proposed Spin-off and Listing is still subject to, among other things, the approvals of the CSRC and the Sci-Tech Board, market conditions and other considerations. There is no assurance that the Proposed Spin-off and Listing will proceed to finalisation. Shareholders and investors are reminded to exercise caution when dealing in the securities of the Company.

By order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Zhang Hua wei
Chairman

Weihai, Shandong, the PRC, 30 July 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*)