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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)

**SUPPLEMENTING THE TERMS OF AND INCREASING
THE ANNUAL CAPS OF EXISTING
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcements of the Company dated 5 December 2018, 27 September 2019 and 18 December 2019 and circular of the Company dated 27 September 2019 in relation to, among others, the CCT Agreements.

On 26 August 2020, the Group entered into the Supplemental Agreements to (i) revise the annual caps for the year ending 31 December 2020; (ii) extend the agreement term for one year; and (iii) propose new annual cap for the year ending 31 December 2021. All other terms as stipulated in the CCT Agreements remain unchanged.

As at the date of this announcement, Weigao Holding is the controlling shareholder of the Company and holds approximately 46.43% of the issued share capital of the Company and Distribution Company is a wholly owned subsidiary of Weigao Holding. Accordingly, Weigao Holding and Distribution Company are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the (i) the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Logistic and Distribution Services Framework Agreement); and (ii) 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 SUPPLEMENTAL AGREEMENTS

Reference is made to the announcements of the Company dated 5 December 2018, 27 September 2019 and 18 December 2019 and the circular of the Company dated 27 September 2019 in relation to, among others, the CCT Agreements.

On 26 August 2020, the Group entered into the Supplemental Agreements to (i) revise the annual caps for the year ending 31 December 2020; (ii) extend the agreement term for one year; and (iii) propose new annual cap for the year ending 31 December 2021. All other terms as stipulated in the CCT Agreements remain unchanged.

(1) The Supplemental Logistic and Distribution Services Framework Agreement

The Company entered into the Supplemental Logistic and Distribution Services Framework Agreement with Distribution Company to (i) revise the existing annual cap for the year ending 31 December 2020 from RMB600 million to RMB1,200 million; (ii) extend the term of the agreement to 31 December 2021; and (iii) propose new annual cap of RMB1,400 million for the year ending 31 December 2021.

	Year ending	
	31 December 2020	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Original annual caps	600 million	N/A
Proposed Annual Caps	1,200 million	1,400 million

Except for the revision of the existing annual cap for the year ending 31 December 2020, the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, the principal terms of the Logistic and Distribution Services Framework Agreement remain unchanged and are set out below:

Subject matter : Provision of nation-wide distribution services by the Distribution Company Group under an integrated medical device supply chain with management mode with optimized product and customer structure.

Material terms : The Distribution Company Group will provide integrated medical device supply chain logistic services to the Group, the conditions thereof shall not be less favorable than those available to the Group from independent third parties for comparable distribution logistic services. The Group will utilize the distribution services of the Distribution Company Group on a voluntary and non-compulsory basis and is not obliged to engage the distribution services provider of the Distribution Company Group for any distribution and logistic services. The Distribution Company Group may, from time to time, enter into separate individual agreements with the Group for the provision of distribution services, provided that the principles under the Logistic and Distribution Services Framework Agreement must be observed.

Pricing policy: The comprehensive pricing (including fees) of the distribution services charged by the Distribution Company Group shall be fair and reasonable and shall not be higher than the comprehensive pricing of the similar distribution services provided by independent third parties to the Group during the same period.

(2) The Supplemental Purchase Framework Agreement

The Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to (i) revise the existing annual cap for the year ending 31 December 2020 from RMB500 million to RMB800 million; (ii) extend the term of the agreement to 31 December 2021; and (iii) propose new annual cap of RMB950 million for the year ending 31 December 2021.

	Year ending	
	31 December 2020	31 December 2021
	<i>RMB</i>	<i>RMB</i>
Original annual caps	500 million	N/A
Proposed Annual Caps	800 million	950 million

Except for the revision of the existing annual cap for the year ending 31 December 2020, the extension of the duration of the agreement and the proposition of the new annual cap for the year ending 31 December 2021, the principal terms of the Purchase Framework Agreement remain unchanged and are set out below:

Subject matter : The Company agrees to purchase or procure its subsidiaries to purchase, and the Weigao Holding Group agrees to sell or procure its subsidiaries to sell medical based products, including and not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery on a non-exclusive basis.

Pricing policy : Prices and terms of purchase with respect to medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery sold by the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms, negotiated on an arm's length basis and at prices and terms no less favorable terms to the Group than those available to independent third parties.

REASONS FOR ENTERING INTO OF THE SUPPLEMENTAL AGREEMENTS

(1) The Supplemental Logistic and Distribution Services Framework Agreement

Given that the Logistic and Distribution Services Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to procure the services from the Distribution Company Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the six months ended 30 June 2020.

	For the year ended 31 December 2019 <i>approximately</i> <i>RMB</i>	For the six months ended 30 June 2020 <i>approximately</i> <i>RMB</i>
Actual transaction amount	430.3 million	572.4 million

As shown in the table above, the actual transaction amount for the six months ended 30 June 2020 under the Logistic and Distribution Services Framework Agreement has reached approximately 95.4% of the original annual cap for the year ending 31 December 2020.

The Proposed Annual Caps were determined with reference to the anticipated demand for services from the Distribution Company Group for the financial years ending 31 December 2020 and 2021 based on the historical demand as set out above and expected market growth.

(2) The Supplemental Purchase Framework Agreement

Given that the Purchase Framework Agreement will expire on 31 December 2020 and that the Company expects to continue to purchase products from the Weigao Holding Group, the agreement term is proposed to be extended to 31 December 2021.

The table below sets out the actual transaction amounts for the year ended 31 December 2019 and the six months ended 30 June 2020.

	For the year ended 31 December 2019 <i>approximately</i> <i>RMB</i>	For the six months ended 30 June 2020 <i>approximately</i> <i>RMB</i>
Actual transaction amount	402.7 million	432.3 million

As shown in the table above, the actual transaction amount for the six months ended 30 June 2020 under the Purchase Framework Agreement has reached approximately 86.5% of the original annual cap for the year ending 31 December 2020.

The Proposed Annual Caps were determined with reference to the anticipated demand for products from the Weigao Holding Group for the years ending 31 December 2020 and 2021 based on the historical demand as set out above and expected market growth.

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 and Mrs. Zhou Shu Hua and the independent non-executive Directors whose view will be given after taking the advice from the Independent Financial Adviser) consider that the Supplemental 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 Proposed 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 and Mrs. Zhou Shu Hua who are also directors of Weigao Holding, have abstained from voting in the relevant resolutions of the board meeting of the Company.

INFORMATION REGARDING THE GROUP AND WEIGAO HOLDING AND DISTRIBUTION COMPANY

The Group

The Group is principally engaged in the research and development, production and sale of single-use medical devices and operates finance lease and factoring business in the PRC. The Group has a wide range of products, which cover eight principle business lines of clinical care, wound management, blood management, pharma packaging, medical testing, anesthesia and surgery, orthopaedic products and interventional products. The Group's products are sold under its own brand names, including "Jierui", "Wego Ortho", "Yahua", "Bangde" and "Hai Xing". The products are sold throughout the PRC and exported to overseas.

Weigao Holding

Weigao Holding is a conglomerate corporate and is engaged in different business sectors, including production and sales of pharmaceutical and medical equipment, logistic services, property development, hotel business, and food and beverage services and logistic business in China.

Distribution Company

Distribution Company is a company incorporated under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding. Distribution Company is principally engaged in medical device logistic operation and distribution services in China.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Weigao Holding is the controlling shareholder of the Company and holds approximately 46.43% of the issued share capital of the Company and Distribution Company is a wholly owned subsidiary of Weigao Holding. Accordingly, Weigao Holding and Distribution Company are connected persons of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Agreements constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the (i) the Logistic and Distribution Services Framework Agreement (as amended by the Supplemental Logistic and Distribution Services Framework Agreement); and (ii) 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 (as amended by the Supplemental Agreements) and the transactions contemplated thereunder, and the Proposed 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 Adviser 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 Adviser; and (iv) a notice convening the EGM will be despatched to the Shareholders on or before 17 September 2020.

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
“CCT Agreements”	the Logistic and 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
“Director(s)”	the director(s) of the Company
“Distribution Company”	Shandong Weigao Medical Company Limited* (山東威高醫藥有限公司), a company established under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding
“Distribution Company Group”	Distribution Company 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 Supplemental Agreements and the transactions contemplated thereunder (including the Proposed Annual Caps and the extension of the duration of the CCT Agreements)
“Group”	the Company and its subsidiaries
“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
“Independent Shareholders”	the Shareholders, other than Weigao Holding, Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua, Mr. Wang Yi and their respective associates (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistic and Distribution Services Framework Agreement”	the agreement dated 5 December 2018 entered into between the Company and Distribution Company (as amended by the supplemental agreement dated 27 September 2019), 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 Annual Caps”	the proposed annual caps for the years ending 31 December 2020 and 2021 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 (as amended by the supplemental agreements dated 27 September 2019 and 18 December 2019), details of which are set out in the section headed “A. Purchase Framework Agreement” of the Announcement
"RMB"	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	H share(s) of RMB0.1 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Supplemental Agreements”	the Supplemental Logistic and Distribution Services Framework Agreement and the Supplemental Purchase Framework Agreement

“Supplemental Logistic and Distribution Services Framework Agreement”	the agreement dated 26 August 2020 entered into between parties to the Logistic and Distribution Services Framework Agreement to amend the annual caps and to extend the duration of the Logistic and Distribution Services Framework Agreement
“Supplemental Purchase Framework Agreement”	the agreement dated 26 August 2020 entered into between parties to the Purchase Framework Agreement to amend the annual caps and to extend the duration of the Purchase Framework Agreement
“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 approximately 46.43% of the issued share capital of the Company as at the date of this announcement
“Weigao Holding Group”	Weigao Holding and its subsidiaries (other than the Company)
“%”	percentage or per centum

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

* *for identification purposes only.*

Hong Kong, 26 August 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*)