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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)

**(1) ACQUISITION OF SHANDONG WEIGAO
PHARMACEUTICAL PACKAGING CO., LTD.*- EXEMPT
CONNECTED TRANSACTION
(2) DEEMED DISPOSAL OF A SUBSIDIARY-EXEMPT
CONNECTED TRANSACTION**

THE AGREEMENT

On 20 November 2020 (after trading hours), the Subsidiary entered into the Agreement with the Investor in relation to the Capital Increase. The Investor's capital contribution to the Subsidiary will be settled by its transfer of the entire equity capital of the Target to the Subsidiary.

LISTING RULES IMPLICATIONS

The Investor holds 89.83% of Weigao Holding, which in turn holds 46.43% of the issued share capital of the Company as at the date of the Agreement. Hence, the Investor is a connected person of the Company.

Each of the Deemed Disposal and the Acquisition constitutes a connected transaction for the Company for the purpose of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the Deemed Disposal and the Acquisition exceeds 0.1% but is below 5%, each of the Deemed Disposal and the Acquisition constitutes an exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

THE AGREEMENT

On 20 November 2020 (after trading hours), the Subsidiary entered into the Agreement with the Investor in relation to the Capital Increase. The principal terms of the Agreement are set out below.

Subject matter

The Investor agreed to make a total capital contribution in the amount of RMB66,110,000 (comprising RMB4,275,000 to the registered capital (註冊資本) and RMB61,835,000 to the capital reserve (資本公積)) to the Subsidiary. The Investor's capital contribution will be settled by its transfer of the entire equity capital of the Target to the Subsidiary.

As at the date of the Agreement, the Subsidiary has a registered and paid-up capital of RMB100,000,000. Upon completion of the Capital Increase, the registered capital and capital reserve of the Subsidiary will be increased to RMB104,275,000 and RMB62,005,000, respectively.

The registered capital of the Subsidiary immediately before and after completion of the Capital Increase is set out below.

	Immediately prior to completion		Immediately after completion	
	Amount of registered and paid-up capital of the Subsidiary (RMB)	Percentage	Amount of registered and paid-up capital of the Subsidiary (RMB)	Percentage
the Company	100,000,000	100%	100,000,000	95.9%
the Investor	—	—	4,275,000	4.1%
	<u>100,000,000</u>	<u>100%</u>	<u>104,275,000</u>	<u>100%</u>

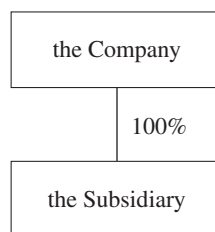
The amount for the Capital Increase and the consideration for the transfer of the Target was determined after arm's length negotiation between the parties to the Agreement with reference to (i) the historical financial performance and prospects of the Target; (ii) the historical financial performance and prospects of the Subsidiary; and (iii) the synergistic effect upon completion of the Acquisition with the broader product offerings.

Completion

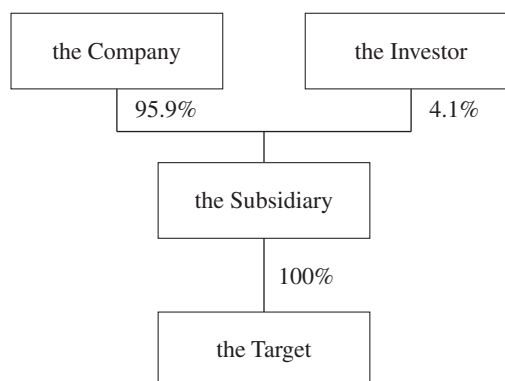
Within 30 days of the date of the Agreement, the parties to the Agreement will enter into an agreement in relation to the equity transfer under the Acquisition and make relevant registration to register the Subsidiary as the registered holder of the Target within 60 days of the date of the Agreement.

Upon completion, the group structure of the Subsidiary is set out below.

Before completion of the Capital Increase



Upon completion of the Capital Increase



INFORMATION ON THE TARGET

The Target is established in the PRC and is engaged in the production and sale of pharmaceutical packaging materials including multi-layer co-extrusion cast film, three-layer co-extrusion film for infusion, and composite film for blister packaging.

The Target was established in March 2011. As at the date of the Agreement, it has a registered capital of RMB45,000,000.

The financial information of the Target for the two years ended 31 December 2019 is set out below:

	For the year ended	
	31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	2,360	5,269
Profit/(loss) after taxation	2,360	5,269

As at 31 December 2019, the net liability value of the Target was RMB4,870,000.

FINANCIAL EFFECT

Upon completion of the Agreement, the Subsidiary will be owned as to 95.9% by the Company and as to 4.1% by the Investor. The Subsidiary will remain as a subsidiary of the Company and its financial results will remain consolidated by of the Company.

Upon completion of the Agreement, the Target will become wholly owned by the Subsidiary. It will be a subsidiary of the Company and its financial results will become consolidated by the Company.

The Capital Increase will be accounted for as an equity transaction and will not result in the recognition of any gain or loss in the Company's financial results.

INFORMATION ON THE PARTIES

(1) The Group and the Subsidiary

The Group is a total-solution provider in the medical device sector in the PRC 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 the PRC.

The Subsidiary is principally engaged in the production and sale of pharmaceutical packaging materials including prefilled syringes and related accessories.

The financial information of the Subsidiary for the two years ended 31 December 2019 is set out below:

	For the year ended	
	31 December	
	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation	–	9,384
Profit/(loss) after taxation	–	7,038

As at 31 December 2019, the net asset value of the Subsidiary was RMB107,207,000.

(2) The Investor

The Investor is an investment holding company.

It is principally engaged in the investments of medical equipment, pharmaceuticals, chemical products, mechanical and electrical products, and high-tech industries.

REASONS AND BENEFITS

The board of the Company considers that the acquisition of the Target will supplement and extend its existing range of offering of pharmaceutical packaging materials.

The directors of the Company (including the independent non-executive directors but excluding Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Long Jing and Mrs. Zhou Shu Hua) consider that the terms of the Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Long Jing and Mrs. Zhou Shu Hua are also directors of Weigao Holding. They have abstained from voting in the relevant resolutions of the board meeting of the Company in approving the Capital Increase.

LISTING RULES IMPLICATIONS

The Investor holds 89.83% of Weigao Holding, which in turn holds 46.43% of the issued share capital of the Company as at the date of the Agreement. Hence, the Investor is a connected person of the Company.

Each of the Deemed Disposal and the Acquisition constitutes a connected transaction for the Company for the purpose of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the Deemed Disposal and the Acquisition exceeds 0.1% but is below 5%, each of the Deemed Disposal and the Acquisition constitutes an exempt connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting and announcement requirements but exempted from the independent shareholders' approval requirements.

DEFINITIONS

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

“Acquisition”	the transfer of the entire equity capital of the Target
“Agreement”	the agreement dated 20 November 2020 entered into between the Investor and the Subsidiary in relation to the Capital Increase
“Capital Increase”	the increase of RMB4,275,000 in the registered capital and RMB61,835,000 in the capital reserve of the Subsidiary
“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
“Deemed Disposal”	the dilution of the equity interest held by the Company in the Subsidiary from 100% to 95.9% as a result of the Capital Increase
“Group”	the Company and its subsidiaries
“Investor”	威海威高國際醫療投資控股有限公司 (Weihai Weigao International Medical Investment Holding Company Limited*), a company established in the PRC with limited liability
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China

“RMB”	Renminbi, the lawful currency of the PRC
“Subsidiary”	山東威高普瑞醫藥包裝有限公司 (Shandong Weigao Puri Pharmaceutical. Packaging Co., Ltd.*), a company established in the PRC with limited liability
“Target”	山東威高醫藥包裝製品有限公司(Shandong Weigao Pharmaceutical Packaging Co., Ltd.*), a company established in the PRC with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weigao Holding”	威高集團有限公司 (Weigao Holding Company Limited*), a company with limited liability and the controlling shareholder of the Company as at the date of this announcement
“%”	per cent.

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

* *For identification purpose only*

Weihai, Shandong, the PRC, 20 November 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*)