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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS DEPOSIT SERVICES AGREEMENT WITH LANHAI BANK

Reference is made to the announcement of the Company dated 23 August 2017. On 20 December 2019, the Group entered into the Deposit Services Agreement 2019 to renew the Deposit Services Agreement 2017 with Lanhai Bank, a 30% controlled company of Weigao Holding, the controlling shareholder of the Company. Pursuant to Rule 14A.07(4) of the Listing Rules, Lanhai Bank is a connected person of the Company. As such, renewal of the Deposit Services Agreement 2019 and the transactions contemplated thereunder constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the Deposit Services Agreement 2019 on an annual basis is or are higher than 0.1% but less than 5%, entering into the Deposit Services Agreement 2019 is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

* For identification purpose only

BACKGROUND

The Board announces that Company and Lanhai Bank entered into the Deposit Services Agreement 2019 on 20 December 2019, pursuant to which the Group will utilize the deposit services offered by Lanhai Bank.

DEPOSIT SERVICES AGREEMENT

Date: 20 December 2019

Parties: (i) the Company

(ii) Lanhai Bank

Pursuant to the Deposit Services Agreement 2019, Lanhai Bank will continue to provide deposit services to the Group and the Group will continue to utilize such deposit services on a non-exclusive basis. The Deposit Services Agreement 2019 does not create any obligation on the part of Group to utilize any particular services of Lanhai Bank. Other than the deposits which have specified deposit terms, the Group may at any time withdraw the funds deposited with Lanhai Bank without incurring any penalty. Lanhai Bank is one of a number of financial institutions which provide deposit services to the Group. The Group may obtain deposit services available from any other financial institutions as it sees fit.

The interest rates for the Group's deposits with Lanhai Bank is determined based on the RMB deposit benchmark rate promulgated by the People's Bank of China, and shall not be lower than the same level deposit rate available to the Group from other independent commercial banks in China for the same period. The Deposit Services Agreement shall be for an initial term of three years commencing from 1 January 2020. Upon expiry of the initial term of the Deposit Services Agreement 2019, the agreement may be renewed for further terms of three years automatically unless either party objects by giving a written notice at least one month prior to the expiry of the Deposit Services Agreement 2019.

PROPOSED ANNUAL CAPS

The Company proposed the annual caps of the transactions under the Deposit Services Agreement 2019 (including interests payable, where applicable) are as follows.

	From 1 January 2020 to 31 December 2020	From 1 January 2021 to 31 December 2021	From 1 January 2022 to 31 December 2022
Maximum daily balance of deposits (including the interests accrued thereon)	RMB 300,000,000 (equivalent to approximately HKD 333,000,000)	RMB 300,000,000 (equivalent to approximately HKD 333,000,000)	RMB 300,000,000 (equivalent to approximately HKD 333,000,000)

The above proposed cap represents approximately 5.0% of the Group's total deposits placed with all financial institutions as of 30 October 2019. In determining the above proposed cap, the Company has taken into account the cash flow position of the Group and the treasury policy of the Group.

REASONS FOR ENTERING INTO THE DEPOSIT SERVICES AGREEMENT 2019

Lanhai Bank is a privately-owned bank established with the approval of CBRC. Lanhai Bank is a 30%-controlled company of Weigao Holding. Lanhai Bank is permitted to provide various financial services such as deposit services, loan services, settlement services and issue of financial bonds to public. The main reasons and advantages for utilizing the deposit services provided by Lanhai Bank are as follows:

The interest rates on deposits offered by Lanhai Bank to the Company will be no less than:—

1. those offered by other independent PRC commercial banks.

2. Lanhai Bank is regulated by PBOC and CBRC and provides its services in accordance and in compliance with the rules and operational requirements of these regulatory authorities.
3. The Group is expected to benefit from Lanhai Bank's better understanding of the operations of the Group which would allow expedient and efficient service provision.
4. The Group also expects that as an intra-group service provider, Lanhai Bank will generally have a better and more efficient communication with the Group compared with other independent commercial banks.

The Directors (including the independent non-executive Directors) are of the view that the continuing connected transaction under the Deposit Services Agreement 2019 will be conducted on normal commercial terms, or on terms no less favourable than those available to independent third parties under the prevailing market conditions, in the ordinary and usual course of business of the Group, and is in the interests of the Company and its shareholders as a whole and that the terms of the Deposit Services Agreement 2019 and the proposed cap in respect of the maximum daily balance of deposits (including the interests accrued thereon) are fair and reasonable.

LISTING RULES IMPLICATIONS

Lanhai Bank is a 30%-controlled company of Weigao Holding, the controlling shareholder of the Company, pursuant to Rule 14A.07(4) of the Listing Rules, Lanhai Bank is a connected person of the Company. As such, entering into the Deposit Services Agreement 2019 and the transactions contemplated thereunder constitutes continuing connected transactions under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratio(s) (as defined under Rule 14.07 of the Listing Rules) (other than the profits ratio) in respect of the deposit services, under the Deposit Services Agreement 2019 on an annual basis is or are higher than 0.1% but less than 5%, entering into the Deposit Services Agreement 2019 is subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules, but is exempted from the independent shareholders' approval requirement.

FURTHER INFORMATION

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. The Group has a nationwide sales network and an extensive customer base of about 5,100 healthcare organizations, including over 2,400 hospitals and 400 blood stations.

Weigao Holding is a conglomerate corporate and is also 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. Weigao Holding is the controlling shareholder holds 47.76% of the total issued share capital of the Company, and therefore is a connected person of the Company pursuant to the meaning of the Listing Rules.

Lanhai Bank is a registered privately-owned bank in the PRC and is principally engaged in provision of deposit services, settlement services, credit services and other financial services. Lanhai Bank is a connected person of the Company as it is an associate of Weigao Holding.

GENERAL

Directors of the Company, Mr. Zhang Hua Wei, Mr. Long Jing, Mr. Wang Yi and Mrs. Zhou Shu Hua, are also directors of the Weigao Holding, being the connected parties were abstained from voting in the relevant resolution of the board meeting of the Company held on 18 December 2019. Save as foregoing disclosed, none of the Directors has a material interest in the Deposit Services Agreement 2019 and the transactions contemplated thereunder.

DEFINITIONS

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

“associate”	has the meanings ascribed to it under the Listing Rules;
“Board”	the board of Directors;

“CBRC”	China Banking Regulatory Commission;
“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 (stock code: 1066);
“connected person”	has the meanings ascribed to it under the Listing Rules;
“controlling shareholder”	has the meanings ascribed to it under the Listing Rules;
“Deposit Services Agreement 2019”	the deposit services agreement dated 20 December 2019 and entered into between the Company and Lanhai Bank;
“Director(s)”	the director(s) of the Company;
“Continuing Connected Transaction”	the transactions contemplated under the Deposit Services Agreement 2019;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Lanhai Bank”	威海藍海銀行股份有限公司 (Weihai Lanhai Banking Corporation*), a registered privately-owned bank incorporated in May 2017 in the PRC, which is a connected person of the Company as it is an associate of Weigao Holding;

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the holder(s) of the Shares;
“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 is the controlling shareholders of the Company as at the date of this announcement; and
“%”	per cent.

Note: For the purpose of illustration only, RMB is translated to HK\$ at the illustrative rate of RMB1.00 = HK\$1.11.

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

Hong Kong, 20 December 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*)