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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)**

## **INCREASING THE ANNUAL CAPS OF EXISTING CONTINUING CONNECTED TRANSACTIONS**

**Financial Adviser to Shandong Weigao Group Medical Polymer Company Limited**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**Halcyon Capital Limited**

Reference is made to the announcements of the Company dated 5 December 2018, 27 September 2019, 18 December 2019 and 26 August 2020 and the circulars of the Company dated 27 September 2019 and 22 September 2020 in relation to, among others, the Purchase Framework Agreement.

On 28 October 2020, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to revise the annual caps for the year ending 31 December 2020 and 2021 from RMB800 million and RMB950 million to RMB1,200 million and RMB1,400 million, respectively.

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. Accordingly, Weigao Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Purchase Framework Agreement constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement), are over 5%, the Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement) are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **THE SUPPLEMENTAL PURCHASE FRAMEWORK AGREEMENT**

Reference is made to the announcements of the Company dated 5 December 2018, 27 September 2019, 18 December 2019 and 26 August 2020 and the circulars of the Company dated 27 September 2019 and 22 September 2020 in relation to, among others, the Purchase Framework Agreement.

Under the Purchase Framework Agreement, 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 but not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery on a non-exclusive basis.

On 28 October 2020, the Company entered into the Supplemental Purchase Framework Agreement with Weigao Holding to revise the annual caps for the year ending 31 December 2020 and 2021 from RMB800 million and RMB950 million to RMB1,200 million and RMB1,400 million, respectively.

Except for the revision of the existing annual cap for the year ending 31 December 2020 and 2021, all other terms of the Purchase Framework Agreement remain unchanged.

## REASONS FOR ENTERING INTO THE SUPPLEMENTAL PURCHASE FRAMEWORK AGREEMENT

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

	<b>For the year ended 31 December 2019 <i>approximately RMB</i></b>	<b>For the nine months ended 30 September 2020 <i>approximately RMB</i></b>
Actual transaction amount	402.7 million	498.5 million

On 14 October 2020, the annual caps of RMB800 million and RMB950 million for the year ending 31 December 2020 and 2021 respectively were approved by the Independent Shareholders.

Since early October 2020, the Group has been receiving increasing number of orders for facemasks, protective equipment, surgical gowns and disinfectants from various medical institutions. The Directors believe it is due to the “Notice on the Issuance of the Medical Treatment Plan for the COVID-19 Pandemic in Autumn and Winter”\* (《關於印發應對秋冬季新冠肺炎疫情醫療救治工作方案的通知》) (the “**Notice**”) issued by the Medical Treatment Group of the Joint Prevention and Control Mechanism of the COVID-19 Pandemic of the State Council\* (國務院應對新型冠狀病毒肺炎疫情聯防聯控機制(醫療救治組)) in late July 2020 that set out rules and guidelines to medical institutions for preventing the spread of COVID-19 pandemic in the coming autumn and winter in 2020 and 2021. In the Notice, it is stated that all relevant medical institutions should in principle maintain an inventory level of various medical materials (including but not limited to protective equipment, medical consumables and disinfectants) which could satisfy the demand of 30 days of full capacity operation. In view of the additional demand, the original annual caps of RMB800 million and RMB950 million for the year ending 31 December 2020 and 2021 respectively are expected to be insufficient.

The table below sets out the original annual caps and the Proposed Annual Caps under the Purchase Framework Agreement and the Supplemental Purchase Framework Agreement, respectively:

	<b>Year ending</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2021</b>
	<i>RMB</i>	<i>RMB</i>
Original annual caps	800 million	950 million
Proposed Annual Caps	1,200 million	1,400 million

The Proposed Annual Caps were determined with reference to the original annual caps and the additional demand for facemasks, protective equipment, surgical gowns and disinfectants from various medical institutions as a result of the Notice as set out above. For details of the basis of determination and calculation of the original annual caps, please refer to the letter from the Board of the circular of the Company dated 22 September 2020.

As at the date of this announcement, none of the annual caps under the Purchase Framework Agreement have been exceeded.

The Company will ensure that the existing annual caps under the Purchase Framework Agreement will not be exceeded before obtaining the Independent Shareholder's approval as required under Chapter 14A of the Listing Rules.

In light of the above, the Directors (other than Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Long Jing 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 Purchase Framework Agreement was entered into in the usual and ordinary course of business of the Group, is conducted on an arm's length basis and on normal commercial terms (including the Proposed Annual Caps), and is 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 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**

### **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.

## **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. Accordingly, Weigao Holding is a connected person of the Company under Chapter 14A of the Listing Rules. Thus, the transactions contemplated under the Supplemental Purchase Framework Agreement constitute continuing connected transactions of the Company.

As one or more applicable percentage ratios (other than the profit ratio) in respect of the Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement), are over 5%, the Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement) is 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 Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement) 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 Purchase Framework Agreement (as amended by the Supplemental Purchase Framework Agreement); (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 16 November 2020.

## DEFINITIONS

“Board”	the board of Directors
“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(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened and to consider and, if thought fit, approve, among others, the Supplemental Purchase Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps)
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	a 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
“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 Purchase Framework Agreement under the Supplemental Purchase Framework Agreement
“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, 18 December 2019 and 26 August 2020)
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Purchase Framework Agreement”	the agreement dated 28 October 2020 entered into between parties to the Purchase Framework Agreement to amend the annual caps
“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)
“%”	per cent

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

\* for identification purpose only

Hong Kong, 28 October 2020

*As at the date of this announcement, the Board comprises:*

Mr. Zhang Hua Wei (*Executive Director*)  
Mr. Wang Yi (*Executive Director*)  
Mr. Long Jing (*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*)