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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) (i) MAJOR TRANSACTION INVOLVING PROPOSED
DISPOSAL OF 81% EQUITY INTEREST
IN WEIGAO ORTHO**

**(ii) DISCLOSEABLE TRANSACTION INVOLVING POSSIBLE
DISPOSAL OF THE CONSIDERATION SHARES**

**(2) (i) DISCLOSEABLE TRANSACTION INVOLVING
PROPOSED ACQUISITION OF EQUITY INTEREST
IN WINBASE INTERNATIONAL**

**(ii) DISCLOSEABLE TRANSACTION INVOLVING
PROPOSED DISPOSAL OF WEIGAO LOGISTIC**

**(3) DISCLOSEABLE TRANSACTION INVOLVING PROPOSED
DEEMED DISPOSAL OF WINBASE SHARES
AND**

(4) PROFIT WARNING

THE PROPOSED TRANSACTION

(1) (i) Proposed disposal of a 81% equity interest in Weigao Ortho

On 14 June 2016, the Company and Weigao Logistic entered into the Asset Transfer Agreement with, among others, Winbase International pursuant to which the Company and Weigao Logistic have conditionally agreed to sell, and Winbase International has conditionally agreed to acquire, a 81% equity interest in Weigao Ortho at an aggregate consideration of RMB4,908.6 million. The consideration will be satisfied by (a) the issuance of the Consideration Shares by Winbase International to the Company; and (b) the transfer of the Winbase Assets by Winbase International to Weigao Logistic.

* For identification purpose only

(ii) Possible disposal of the Consideration Shares

On 14 June 2016, the Company and Winbase International entered into the Compensation Agreement. The Company has agreed to indemnify Winbase International by tendering all or part of the Consideration Shares to Winbase International for repurchase and cancellation if the net profit (after deducting non-recurring items) attributable to shareholders of Weigao Ortho is less than the target profit as set out in the Compensation Agreement during the prescribed period and any impairment loss is incurred in the value of the equity interest in Weigao Ortho transferred to Winbase International under the Asset Transfer Agreement at the end of the prescribed period.

(2) (i) Proposed acquisition of the Sale Shares and (ii) proposed disposal of Weigao Logistic

On 14 June 2016, the Company entered into the Share Transfer Agreement with Shiyou Chemical pursuant to which Shiyou Chemical has conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Sale Shares at a consideration of RMB1,418,811,200. The consideration will be satisfied by the transfer of the entire equity interest in Weigao Logistic to Shiyou Chemical or its designated person. Weigao Logistic will hold the Winbase Assets and a minimum of RMB200 million in cash upon completion of the Share Transfer Agreement.

WINBASE PLACING – PROPOSED DEEMED DISPOSAL OF WINBASE SHARES

On 14 June 2016 and for the Winbase Placing, (i) Winbase International and the Company entered into the Subscription Agreement pursuant to which Winbase International has conditionally agreed to issue, and the Company has conditionally agreed to subscribe, 29,732,411 Winbase Shares at a cash consideration of RMB300,000,026.9; and (ii) Winbase International and the Placees entered into the Placing Agreements pursuant to which Winbase International has conditionally agreed to issue, and the Placees have conditionally agreed to subscribe, 89,197,222 Winbase Shares at a total cash consideration of RMB899,999,969.9.

Upon Completion, Winbase International will become a direct non-wholly owned subsidiary of the Company. The Winbase Placing will take place after completion of the Asset Transfer Agreement and the Share Transfer Agreement, and completion of the Winbase Placing will constitute a deemed disposal of the Company's interest in Winbase International.

LISTING RULES IMPLICATIONS

Notifiable Transactions

As one of the applicable percentage ratios in respect of the transactions under the Asset Transfer Agreement exceeds 25% but is less than 75%, the transactions under the Asset Transfer Agreement constitute a major transaction of the Company.

As more than one of the applicable percentage ratios in respect of the transactions under each of the Compensation Agreement and the Share Transfer Agreement exceed 5% but are less than 25%, the transactions under each of the Compensation Agreement and the Share Transfer Agreement constitute a discloseable transaction of the Company.

Given completion of the transactions under the Asset Transfer Agreement is inter-conditional with completion of the transactions under the Share Transfer Agreement, the transactions under the Asset Transfer Agreement, the Compensation Agreement and the Share Transfer Agreement are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules.

As one of the applicable percentage ratios in respect of the transactions under the Winbase Placing exceeds 5% but is less than 25%, the transactions under the Winbase Placing constitute a discloseable transaction of the Company which is subject to the announcement and reporting requirements under the Listing Rules. Completion of the Winbase Placing is conditional upon completion of the transactions under the Asset Transfer Agreement and the Share Transfer Agreement.

Practice Note 15

The transactions under the Asset Transfer Agreement constitute a spin-off under Practice Note 15 and the Company will comply with the requirements under Practice Note 15 in relation to the spin-off. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 in relation to them.

A circular containing, among other things, further details of the Proposed Transaction, a letter from the independent board committee of the Company and a letter from the independent financial adviser of the Company together with a notice convening the EGM is expected to be despatched within 15 business days after publication of this announcement.

PROFIT WARNING

On 14 June 2016, Winbase International and two of the Minority Shareholders entered into an agreement with respect to the A-share Issue, pursuant to which these two shareholders of Weigao Ortho agreed to transfer 22,222,222 Ortho Shares owned by them to Winbase International at a price higher than the subscription price paid by them in their acquisition of such Ortho Shares. As these two shareholders of Weigao Ortho are controlled and beneficially owned by members of the management team of Weigao Ortho, such price difference in the amount of approximately RMB300 million will be recognised as share-based payment expenses by the Company. The Board wishes to inform the Shareholders and potential investors of the Company that the Group is expected to record a significant decrease in its net profit for the six months ending 30 June 2016 as compared with the corresponding period in 2015, primarily due to the recognition of the share-based payment expenses. Such expenses are one-off and of non-cash nature.

The Proposed Transaction and the Winbase Placing are subject to, among other things, approvals of the relevant PRC regulatory authorities, including the CSRC, and the transactions under the Asset Transfer Agreement are subject to the approval of the Stock Exchange under Practice Note 15. The Proposed Transaction and the Winbase Placing may or may not take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

THE PROPOSED TRANSACTION

(1) The Asset Transfer Agreement

On 14 June 2016, the following parties entered into the Asset Transfer Agreement:

- (a) the Company;
- (b) Weigao Logistic, a wholly-owned subsidiary of the Company as at the date of this announcement;
- (c) Winbase International; and
- (d) Shiyou Chemical.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Winbase International, Shiyu Chemical and their ultimate beneficial owners are independent from the Company and its connected persons as at the date of this announcement.

Subject Matter

The Company has conditionally agreed to sell, and Winbase International has conditionally agreed to acquire, 62.63% equity interest in Weigao Ortho.

Weigao Logistic has conditionally agreed to sell, and Winbase International has conditionally agreed to acquire, 18.37% equity interest in Weigao Ortho.

Consideration

The consideration for the Proposed Disposal is RMB4,908.6 million. The consideration will be satisfied by (a) the issuance of the Consideration Shares at the Issue Price by Winbase International to the Company; and (b) the transfer of the Winbase Assets by Winbase International to Weigao Logistic.

Such consideration was determined after arm's length negotiations between the Company, Weigao Logistic and Winbase International by taking into account the appraised value of the equity interest in Weigao Ortho as at 31 December 2015 prepared by the Valuer. The valuation is prepared by the Valuer based on, among others, the income approach, which involves the calculation of discounted cash flow. The valuation is regarded as a profit forecast of Weigao Ortho under Rule 14.61 of the Listing Rules. The Company has complied with the requirements under Rule 14.62 of the Listing Rules in relation to the profit forecast.

The Issue Price represents:

- (a) a discount of approximately 16.9% to the average price of the Winbase Shares as quoted on the SSE for the consecutive 10 trading days immediately preceding the Benchmark Date; and

- (b) a discount of approximately 10.3% to the average price of the Winbase Shares quoted on the SSE for the consecutive 20 trading days immediately preceding the Benchmark Date.

Conditions Precedent

Completion of the Asset Transfer Agreement will be conditional upon the fulfilment of the following conditions:

- (a) the staff allocation proposal in connection with the transactions under the Asset Transfer Agreement and the A-share Issue having been approved by the staff union of employees of Winbase International;
- (b) the transactions under the Asset Transfer Agreement, the A-share Issue and the Winbase Placing having been approved by the directors and shareholders of Winbase International and the Company having obtained a waiver in respect of the general offer obligation for Winbase Shares on the part of the Company together with any persons acting in concert with it from the shareholders of Winbase International at its general meeting;
- (c) the transactions under the Asset Transfer Agreement having been approved by the Stock Exchange to be in compliance with Practice Note 15;
- (d) the transactions under the Asset Transfer Agreement and the Compensation Agreement having been approved by the Shareholders; and
- (e) the transactions under the Asset Transfer Agreement, the A-share Issue and the Winbase Placing having been approved by the relevant PRC authorities including the CSRC.

Lock-up Undertaking

Unless otherwise permitted under the Compensation Agreement, the Consideration Shares to be issued to the Company are subject to a lock-up period commencing from the date of listing of the Consideration Shares on the SSE and ending on the date falling on the expiry of a 36-month period thereafter or the date that the Company has complied with its obligations under the Compensation Agreement, whichever is later.

Completion

Completion will take place on a date after Weigao Ortho has been converted from a company limited by shares to a limited liability company as agreed by the parties. Completion of the Asset Transfer Agreement is inter-conditional with completion of the Share Transfer Agreement.

Indemnity

(i) Pre-completion

The Company will indemnify Winbase International for any loss recorded by Weigao Ortho during the Pre-completion Period by way of cash in proportion to the interest of the Company and Weigao Logistic in Weigao Ortho immediately before Completion.

(ii) Post-completion

The Company and Winbase International entered into the Compensation Agreement on 14 June 2016. The Compensation Agreement will become effective upon the equity interest in Weigao Ortho under the Asset Transfer Agreement being registered in the name of Winbase International. The Company undertakes that:

- (a) for each of the financial year in which completion of the Asset Transfer Agreement takes place and the two subsequent financial years, the net profit (after deducting non-recurring items) attributable to shareholders of Weigao Ortho will not be less than a target profit; and
- (b) at the end of these three financial years, Winbase International will be compensated for any impairment loss in the value of the equity interest in Weigao Ortho transferred to Winbase International under the Asset Transfer Agreement.

On (a) with respect to profit shortfall

If completion of the Asset Transfer Agreement takes place in 2016, the target profit of Weigao Ortho would be approximately RMB307.83 million for the full year of 2016, RMB374.20 million for the full year of 2017 and RMB469.03 million for the full year of 2018. If completion of the Asset Transfer Agreement does not take place in 2016, the parties will set the target profit of Weigao Ortho with reference to the valuation report on Weigao Ortho prepared by the Valuer.

If the net profit of Weigao Ortho for the relevant financial year falls short of the target profit, the Company will surrender to Winbase International for repurchase at a nominal consideration of RMB1.00 and cancellation such number of Winbase Shares (subject to the number of the Winbase Shares issued to the Company under the Asset Transfer Agreement) to be determined as follows:

$$\left[\frac{(A - B) \times D}{C} \right] - E$$

Where

A = the accumulated target profit at the end of the relevant financial year

B = the accumulated actual profit at the end of the relevant financial year

C = the total target profit for the three financial years

D = the number of Winbase Shares issued to the Company under the Asset Transfer Agreement

E = the number of Winbase Shares previously surrendered by the Company to Winbase International for repurchase

On (b) with respect to impairment loss

At the end of the three financial years, Winbase International will engage a qualified auditor to carry out an impairment test on the value of Weigao Ortho. If the fraction of the impairment loss divided by the total consideration of the Asset Transfer Agreement, being RMB4,908.6 million, exceeds the fraction of the number of Winbase Shares previously surrendered by the Company to Winbase International for repurchase divided by the number of Consideration Shares issued to the Company under the Asset Transfer Agreement, the Company will surrender to Winbase International for repurchase at a nominal consideration of RMB1.00 and cancellation such additional Winbase Shares to be determined as follows:

$$\frac{F}{G} \times H - I$$

Where

F = the impairment loss

G = RMB10.09, being the Issue Price

H = the number of Winbase Shares issued to the Company under the Asset Transfer Agreement divided by the total number of Winbase Shares issued by Winbase International under the Asset Transfer Agreement and the A-share Issue

I = the number of Winbase Shares previously surrendered by the Company to Winbase International for repurchase

The possible surrender by the Company of the Winbase Shares to Winbase International under the Compensation Agreement constitutes a grant of option by the Company to Winbase International for the repurchase and cancellation of the Winbase Shares, the exercise of which is not at the discretion of the Company. If the Company is required to tender all the Consideration Shares to Winbase International for repurchase and cancellation pursuant to the terms of the Compensation Agreement, Winbase International and Weigao Ortho may cease to

be subsidiaries of the Company, and the financial results of Winbase International and Weigao Ortho will cease to be consolidated with the financial results of the Company. If the transactions contemplated under the Compensation Agreement take place, the Company will publish an announcement in compliance with the relevant requirements of the Listing Rules.

(2) The Share Transfer Agreement

On 14 June 2016, the Company and Shiyou Chemical entered into the Share Transfer Agreement.

Subject Matter

Shiyou Chemical has conditionally agreed to sell, and the Company has conditionally agreed to acquire, the Sale Shares.

Consideration

The consideration for the Sale Shares is RMB1,418,811,200. It will be satisfied by the transfer of the entire equity interest in Weigao Logistic to Shiyou Chemical or its designated person. Weigao Logistic will hold the Winbase Assets and a minimum of RMB200 million in cash upon completion of the Share Transfer Agreement. Such consideration was determined with reference to the appraised value of all the assets and liabilities of Winbase International as at 31 December 2015 prepared by the Valuer plus a premium agreed among the parties to the Share Transfer Agreement.

Conditions Precedent

Completion of the Share Transfer Agreement will be conditional upon among other things:

- (a) the transactions under the Share Transfer Agreement having been approved by the board of directors and shareholders of Shiyou Chemical;

- (b) the transactions under the Asset Transfer Agreement and the Share Transfer Agreement having been approved by the board of directors of the Company and the Shareholders; and
- (c) the transactions under the Asset Transfer Agreement, the Share Transfer Agreement and the A-Share Issue having been approved by the relevant PRC government authority (including the CSRC).

Lock-up Undertaking

As required under the applicable PRC laws and regulations, the Sale Shares are subject to a lock-up period of 12 months commencing from the date of completion of the Share Transfer Agreement.

Completion

Completion of the Share Transfer Agreement is inter-conditional with completion of the Asset Transfer Agreement.

THE A-SHARE ISSUE

To further increase its equity interest in Weigao Ortho, Winbase International has conditionally agreed to acquire a 19% equity interest in Weigao Ortho from the Minority Shareholders for RMB1,151.4 million. The consideration will be satisfied by Winbase International issuing 114.1 million new Winbase Shares to the Minority Shareholders.

Completion of the A-share Issue and the Proposed Transaction are not inter-conditional.

WINBASE PLACING

To raise funds for the further development of Weigao Ortho upon completion of the Asset Transfer Agreement and the Share Transfer Agreement, Winbase International intends to conduct a placing of not more than 118,929,633 Winbase Shares, by non-public offer, at an issue price of approximately RMB10.09 per Winbase Share. The Winbase Placing is subject to the approval of the general meeting of Winbase International and the relevant PRC government authority (including the CSRC).

To effect the Winbase Placing, Winbase International entered into (i) the Subscription Agreement with the Company; and (ii) the Placing Agreements with the Placees.

Subject Matter

Winbase International conditionally agreed to issue, and (i) the Company conditionally agreed to subscribe, 29,732,411 Winbase Shares; and (ii) the Placees conditionally agreed to subscribe 89,197,222 Winbase Shares, at the Issue Price, representing approximately 3.4% and 10.3% of the enlarged registered capital of Winbase International upon completion of the Asset Transfer Agreement, the Share Transfer Agreement, the A-share Issue and the Winbase Placing (assuming that save for the Consideration Shares and the Winbase Shares to be issued under the A-share Issue and the Winbase Placing, there is no other change in the registered capital of Winbase International).

Consideration

The cash consideration of RMB300,000,026.9 under the Subscription Agreement was determined based on arm's length negotiations between the Company and Winbase International. As far as the Directors are aware, the total consideration of RMB899,999,969.9 under the Placing Agreements was determined based on arm's length negotiations between the Placees and Winbase International. The Company will fund the consideration under the Subscription Agreement through internal resources.

Conditions Precedent

Completion of the Winbase Placing will be conditional upon among other things:

- (a) the transaction under the Winbase Placing having been approved by the board of directors and shareholders of Winbase International;
- (b) in the case of the Company, the transaction under the Subscription Agreement having been approved by the board of directors of the Company and the Shareholders (if applicable); and
- (c) the transaction under the Winbase Placing having been approved by the relevant PRC government authority (including the CSRC).

Completion

Completion of the Winbase Placing is conditional upon completion of the Asset Transfer Agreement and the Share Transfer Agreement.

Upon Completion, Winbase International will become a direct non-wholly owned subsidiary of the Company and transactions under the Winbase Placing will constitute a deemed disposal of the Company's interest in Winbase International. Upon completion of the Proposed Transaction and the Winbase Placing (assuming that completion of the A-share Issue has taken place), the interest of the Company in Winbase International will be reduced from approximately 58.2% to approximately 53.6%.

EFFECTS OF COMPLETION OF THE ASSET TRANSFER AGREEMENT, THE SHARE TRANSFER AGREEMENT, THE A-SHARE ISSUE AND THE WINBASE PLACING ON THE SHAREHOLDING STRUCTURE OF WINBASE INTERNATIONAL

The shareholding structure of Winbase International (1) as at the date of this announcement; (2) immediately after completion of the Asset Transfer Agreement, the Share Transfer Agreement and the A-share Issue (assuming that save for the Consideration Shares and the Winbase Shares to be issued under the A-share Issue, there is no other change in the registered capital of Winbase International); and (3) immediately after completion of the Asset Transfer Agreement, the Share Transfer Agreement, the A-share Issue and the Winbase Placing (assuming that save for the Consideration Shares and the Winbase Shares to be issued under the A-share Issue and the Winbase Placing, there is no other change in the registered capital of Winbase International):

	As at the date of this announcement		Immediately after completion of the Asset Transfer Agreement, the Share Transfer Agreement and the A-share Issue (assuming that save for the Consideration Shares and Winbase Shares to be issued under the A-share Issue, there is no other change in the registered capital of Winbase International)		Immediately after completion of the Asset Transfer Agreement, the Share Transfer Agreement, the A-share Issue and the Winbase Placing (assuming that save for the Consideration Shares and Winbase Shares to be issued under the A-share Issue and the Winbase Placing, there is no other change in the registered capital of Winbase International)	
	<i>Approximate Number of Winbase Shares</i>	<i>Approximate percentage of the total registered capital of Winbase International %</i>	<i>Approximate Number of Winbase Shares</i>	<i>Approximate percentage of the total registered capital of Winbase International %</i>	<i>Approximate Number of Winbase Shares</i>	<i>Approximate percentage of the total registered capital of Winbase International %</i>
Shiyu Chemical	117,020,000	43.3	46,720,000	6.2	46,720,000	5.4
The Company	–	–	435,987,690	58.2	465,720,101 (Note)	53.6
The Minority Shareholders	–	–	114,112,982	15.2	114,112,982	13.1
The Placees	–	–	–	–	89,197,222	10.3
Other shareholders of Winbase International	152,980,000	56.7	152,980,000	20.4	152,980,000	17.6
Total	<u>270,000,000</u>	<u>100</u>	<u>749,800,672</u>	<u>100</u>	<u>868,730,305</u>	<u>100</u>

Note: The number of Winbase Shares placed to the Company under the Winbase Placing has been counted towards the total number of 465,720,101 Winbase Shares held by the Company as stated above.

FINANCIAL EFFECT OF THE PROPOSED TRANSACTION AND THE WINBASE PLACING

The interest of the Company in Weigao Ortho will be reduced from 81% to approximately 58.2% immediately after completion of the Proposed Transaction and further reduced to approximately 53.6% immediately after completion of the Winbase Placing and Weigao Ortho will remain as an indirect non-wholly subsidiary of the Company through the shareholding held by Winbase International. As a result, Weigao Ortho will continue to be consolidated into the financial statements of the Group. No sale proceeds in the form of cash will be received by the Company in respect of the proposed disposal of 81% equity interest in Weigao Ortho pursuant to the Asset Transfer Agreement.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTION AND THE WINBASE PLACING

After completion of the Proposed Transaction and the Winbase Placing, Weigao Ortho will remain as an indirect non-wholly subsidiary of the Company and will continue to engage in orthopaedic product business.

The Board considers that the Proposed Transaction and the Winbase Placing will be commercially desirable and in the interest of the Shareholders:

- (1) by creating greater value for the Company and the Shareholders as a whole for the following reasons:
 - (a) the transactions under the Asset Transfer Agreement will allow the Company and the Shareholders an opportunity to realise the value of investment in the Ortho Group;
 - (b) the transactions under the Asset Transfer Agreement will enable the Ortho Group to build its identity as a separately listed group, and will provide separate fund-raising platforms for the Retained Group and the Ortho Group. Such platform would allow Ortho 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 Ortho Group;

- (c) as a separately listed group, the Ortho 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 Ortho Group through its shareholding in Weigao Ortho;
 - (d) the transactions under the Asset Transfer Agreement will enable the Ortho Group to enhance its corporate profile, thereby increasing its ability to attract strategic investors, who can produce synergy for the Ortho Group, for investment in and forming strategic partnerships directly with the Ortho Group; and
 - (e) the transactions under the Asset Transfer Agreement would enable a more focused development, strategy planning and better allocation of resources for the Retained Group and the Ortho Group with respect to their respective businesses, and both the Retained Group and the Ortho Group would benefit from the efficient decision-making process under the separate management structure for seizing emerging business opportunities;
- (2) completion of the Share Transfer Agreement will allow the Company to further increase its equity interest in Winbase International; and
 - (3) completion of the Winbase Placing will allow Winbase International, which will become a non-wholly owned subsidiary of the Company upon Completion, to raise funds for the further development of Weigao Ortho.

The Board considers that the terms of the Proposed Transaction and the Winbase Placing are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Except for Mr. Gong Jianbo, a director of the Company who is interested in the A-share Issue and who has recused himself from the Board meeting discussing and approving the Proposed Transaction and the Winbase Placing, none of the directors of the Company has any material interest in the Proposed Transaction and the Winbase Placing and has thus abstained from voting on the relevant resolutions at the Board meeting.

GENERAL INFORMATION

(1) The Company

The Company and its subsidiaries are principally engaged in the research and development, production and sale of single-use medical devices, orthopaedic products and blood purification products.

(2) Weigao Ortho

Weigao Ortho is a limited liability company established under the laws of the PRC on 6 April 2005 and converted into a company limited by shares on 3 November 2014 and an direct wholly-owned subsidiary of the Company. Weigao Ortho is principally engaged in the manufacturing and sale of orthopaedic medical device products.

Based on the audited consolidated financial statements of Weigao Ortho for the year ended 31 December 2015 prepared in accordance with HKFRS, the consolidated net assets of Weigao Ortho as at 31 December 2015 were approximately RMB648.3 million. The consolidated net profits of Weigao Ortho for the two years ended 31 December 2015 prepared in accordance with HKFRS are set out below:

	For the year ended	
	31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation and extraordinary items	258,496	255,453
Net profit after taxation and extraordinary items	218,760	214,452

(3) Weigao Logistic

Weigao Logistic is a limited liability company established under the laws of the PRC on 10 June 2009 and a direct wholly-owned subsidiary of the Company. Weigao Logistic is principally engaged in the provision of logistics and storage services.

Based on the management accounts of Weigao Logistic for the year ended 31 December 2015 prepared in accordance with the PRC accounting principles, the net assets of Weigao Logistic as at 31 December 2015 were approximately RMB20 million. The net profits of Weigao Logistic for the two years ended 31 December 2015 prepared in accordance with the PRC accounting principles are set out below:

	For the year ended	
	31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation and extraordinary items	Nil	Nil
Net profit after taxation and extraordinary items	Nil	Nil

(4) Winbase International

Winbase International is a company limited by shares established under the laws of the PRC, the shares of which are listed on the SSE. Winbase International is principally engaged in provision of port loading services and warehousing services.

Based on the audited consolidated financial statements of Winbase International for the year ended 31 December 2015 prepared in accordance with CASBE, the consolidated net assets of Winbase International as at 31 December 2015 were approximately RMB1,133.9 million. The audited net profits of Winbase International for the two years ended 31 December 2015 prepared in accordance with CASBE are set out below:

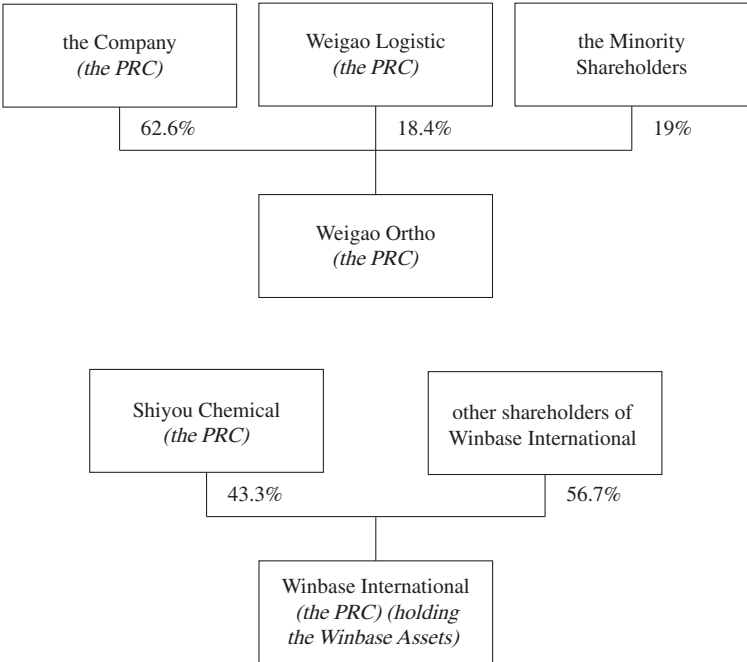
	For the year ended	
	31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net profit before taxation and extraordinary items	55,106	40,692
Net profit after taxation and extraordinary items	44,339	32,536

(5) Shiyou Chemical

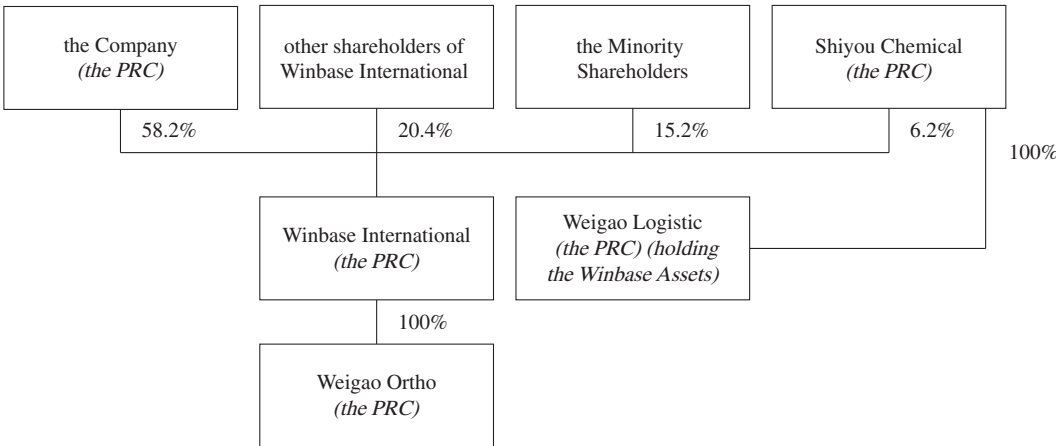
Shiyou Chemical is principally engaged in the trading of the petrochemical products.

SHAREHOLDING AND CORPORATE STRUCTURE

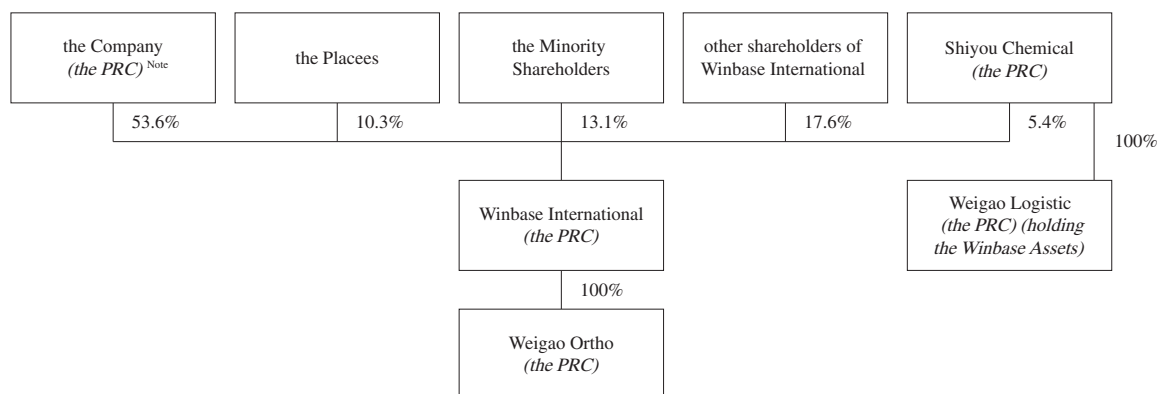
(1) Simplified corporate structure of the Group and Winbase International as at the date of this announcement



(2) Simplified corporate structure of the Group after completion of the Asset Transfer Agreement, the Share Transfer Agreement, and the A-share Issue (assuming that save for the Consideration Shares and the Winbase Shares to be issued under the A-share Issue, there is no other change in the registered capital of Winbase International)



(3) Simplified corporate structure of the Group after completion of the Asset Transfer Agreement, the Share Transfer Agreement, the A-share Issue and the Winbase Placing (assuming that the Consideration Shares and the Winbase Shares to be issued under the A-share Issue and the Winbase Placing will be fully issued and there is no other change in the registered capital of Winbase International)



Note: The number of Winbase Shares placed to the Company under the Winbase Placing has been counted towards the Company's approximately 53.6% interest in Winbase International.

LISTING RULES IMPLICATIONS

Notifiable Transactions

As one of the applicable percentage ratios in respect of the transactions under the Asset Transfer Agreement exceeds 25% but is less than 75%, the transactions under the Asset Transfer Agreement constitute a major transaction of the Company.

As more than one of the applicable percentage ratios in respect of the transactions under each of the Compensation Agreement and the Share Transfer Agreement exceeds 5% but are less than 25%, the transactions under each of the Compensation Agreement and the Share Transfer Agreement constitute a discloseable transaction of the Company.

Given completion of the transactions under the Asset Transfer Agreement is inter-conditional with completion of the transactions under the Share Transfer Agreement, the transactions under the Asset Transfer Agreement, the Compensation Agreement and the Share Transfer Agreement are subject to the reporting, announcement and shareholders' approval requirements under the Listing Rules. The Company will seek approval from the Shareholders at an extraordinary general meeting of (1) the Asset Transfer Agreement and the transactions contemplated thereunder; (2) the Compensation Agreement and the transactions contemplated thereunder; and (3) the Share Transfer Agreement and the transactions contemplated thereunder.

As one of the applicable percentage ratios in respect of the transactions under the Winbase Placing exceeds 5% but is less than 25%, the transactions under the Winbase Placing constitute discloseable transaction of the Company which is subject to the announcement and reporting requirements under the Listing Rules.

Practice Note 15

The transactions under the Asset Transfer Agreement constitutes a spin-off under Practice Note 15 and the Company will comply with the requirements under Practice Note 15 in relation to the spin-off. The Company has submitted a spin-off proposal to the Stock Exchange pursuant to Practice Note 15 in relation to them.

Under Practice Note 15, a listed issuer is required to give due regard to the interests of its existing shareholders by providing them with an assured entitlement to the shares in the entity which is proposed to be spun off for separate listing. Having taking into account the requirements of the applicable PRC laws and regulations and the advice of the PRC legal adviser of the Company, the Board has resolved not to provide assured entitlement to the Shareholders under the Proposed Spin-off. The Company has applied to the Stock Exchange for a waiver from strict compliance with the applicable requirements in relation to the assured entitlement under Practice Note 15 and will make further announcement(s) in this regard as and when appropriate.

All of the Shareholders shall be entitled to vote on the resolutions to be proposed at the EGM. The relevant resolutions to be proposed at the EGM will be voted by poll in compliance with the Listing Rules.

A circular containing, among other things, further details of the Proposed Transaction, a letter from the independent board committee of the Company and a letter from the independent financial adviser of the Company together with a notice convening the EGM is expected to be despatched within 15 business days after publication of this announcement.

PROFIT WARNING

Reference is made to the announcement of the Company dated 25 May 2016 in relation to the deemed disposal of interest in Weigao Ortho by the Company. As disclosed in that announcement, on 29 April 2016, Weigao Ortho and two partnerships as the subscribers entered into a subscription agreement, pursuant to which Weigao Ortho agreed to issue, and the subscribers agreed to subscribe for, a total of 22,222,222 Ortho Shares at a subscription price of RMB14 per Ortho Share.

On 14 June 2016, Winbase International and these subscribers which are two of the Minority Shareholders entered into an agreement with respect to the A-share Issue. The consideration of the 22,222,222 Ortho Shares to be transferred by them to Winbase International is higher than the subscription price paid by them in their acquisition of such Ortho Shares. The consideration was determined with reference to the appraised value of the equity interest in Weigao Ortho as at 31 December 2015 prepared by the Valuer as set out in an valuation report dated 14 June 2016, subject to possible downward adjustment as determined by the relevant PRC government authority. As these two shareholders of Weigao Ortho are controlled and beneficially owned by members of the management team of Weigao Ortho, the difference between the subscription price paid by them to Weigao Ortho and the acquisition price paid by Winbase International to them in the amount of approximately RMB300 million will be recognised as share-based payment expenses by the Company.

The Board wishes to inform the Shareholders and potential investors of the Company that the Group is expected to record a significant decrease in its net profit for the six months ending 30 June 2016 as compared with the corresponding period in 2015, primarily due to the recognition of the share-based payment expenses as described above. The Board wishes to point out that such expenses are one-off and of non-cash nature.

The information in this section headed “PROFIT WARNING” is only based on the preliminary assessment of the latest consolidated management accounts of the Group, the valuation report prepared by the Valuer and the information currently available to the Group which is still subject to possible adjustment arising from further internal review by the Board. The interim results of the Company for the period ending 30 June 2016 have not yet been finalised and are expected to be published in August 2016.

CAUTION

The Proposed Transaction and the Winbase Placing are subject to, among other things, approvals of the relevant PRC regulatory authorities, including the CSRC, and the transactions under the Asset Transfer Agreement are subject to the approval of the Stock Exchange under Practice Note 15. The Proposed Transaction and the Winbase Placing may or may not take place. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“A-share Issue”	the issue of approximately 114.1 million Winbase Shares to the Minority Shareholders as consideration for Winbase International’s acquisition of the 19% equity interest in Weigao Ortho held by them;
“Asset Transfer Agreement”	the agreement dated 14 June 2016 entered into between the Company, Weigao Logistic, Winbase International and Shiyao Chemical in relation to the transfer of a 81% equity interest in Weigao Ortho to Winbase International;
“Benchmark Date”	14 June 2016;
“Board”	the board of directors of the Company;
“CASBE”	the China Accounting Standards for Business Enterprises;
“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;

“Compensation Agreement”	the agreement dated 14 June 2016 entered into between the Company and Winbase International in relation to the indemnity as particularized in the paragraph headed “Indemnity” in this announcement;
“Completion”	completion of the Proposed Transaction;
“Consideration Shares”	365,687,690 new Winbase Shares (subject to adjustment resulting from capitalisation issue by Winbase International arising from surplus reserve and undistributed dividend during the period from the Benchmark Date to the issue date) to be allotted and issued to the Company under the Asset Transfer Agreement;
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets;
“EGM”	an extraordinary general meeting of the Company to be convened to approve, among others, the transactions contemplated under the Asset Transfer Agreement, the Compensation Agreement and the Share Transfer Agreement;
“Group”	the Company and its subsidiaries;
“HKFRS”	Hong Kong Financial Reporting Standards;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Issue Price”	RMB10.09 per Winbase Share;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;

“Minority Shareholders”	the shareholders of Weigao Ortho (other than the Company and Weigao Logistic) as at the date of this announcement;
“Ortho Group”	Weigao Ortho and its subsidiaries;
“Ortho Shares”	shares in Weigao Ortho;
“Placees”	nine placees (other than the Company) under the Winbase Placing, all of which are independent from the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement;
“Placing Agreements”	the nine agreements all dated 14 June 2016 entered into between the Placees and Winbase International in relation to the subscription of 89,197,222 Winbase Shares by the Placees;
“Practice Note 15”	Practice Note 15 of the Listing Rules;
“Pre-completion Period”	the period commencing on 31 December 2015 and ending on the date of completion of the Asset Transfer Agreement;
“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 Transaction”	(1) the transactions under the Asset Transfer Agreement and the Compensation Agreement and (2) the transactions under the Share Transfer Agreement;
“Retained Group”	the Group, excluding the Ortho Group;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	70,300,000 Winbase Shares (subject to adjustment as a result of capitalisation issue by Winbase International arising from surplus reserve and undistributed dividend during the period from the Benchmark Date to the transfer date);

“Share Transfer Agreement”	the agreement dated 14 June 2016 entered into between the Company and Shiyou Chemical in relation to the transfer of the Sale Shares, the consideration of which will be settled by the Company by the transfer of the entire equity interest in Weigao Logistic to Shiyou Chemical or its designated person;
“Shareholder(s)”	the shareholders of the Company;
“Shiyou Chemical”	珠海實友化工有限公司 (Zhuhai Shi You Chemical Co., Ltd.*), a company established under the laws of the PRC on 9 July 1998;
“SSE”	the Shenzhen Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Agreement”	the agreement dated 14 June 2016 entered into between the Company and Winbase International in relation to the subscription of 29,732,411 Winbase Shares by the Company;
“Valuer”	a valuer which is independent from the Company and its connected persons (as defined in the Listing Rules) as at the date of this announcement;
“Weigao Logistic”	山東威高集團物流有限公司 (Shandong Weigao Group Logistic Company Limited*), a company established under the laws of the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement;
“Weigao Ortho”	山東威高骨科材料股份有限公司 (Shandong Weigao Orthopaedic Device Company Limited*), a foreign invested joint stock with limited liability company converted under the laws of the PRC on 3 November 2014 and a non-wholly owned subsidiary of the Company as at the date of this announcement;
“Winbase Assets”	all operating assets and liabilities of Winbase International as set forth in the valuation report prepared by the Valuer;

“Winbase International”	珠海恒基達鑫國際化工倉儲股份有限公司 (Zhuhai Winbase International Chemical Tank Terminal Co., Ltd.*), a company established under the laws of the PRC on 11 April 2008, the A shares of which are listed on the SSE;
“Winbase Placing”	the placing by Winbase International of not more than 118,929,633 new Winbase Shares (including the 29,732,411 Winbase Shares to be placed to the Company under the Subscription Agreement) at the Issue Price;
“Winbase Shares”	A shares of Winbase International; and
“%”	per cent.

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

Weihai, Shandong, the PRC, 15 June 2016

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

Mr. Zhang Huawei (*Executive Director*)
Mr. Wang Yi (*Executive Director*)
Mr. Gong Jian Bo (*Executive Director*)
Mr. Xia Lie Bo (*Executive Director*)
Mrs. Zhou Shu Hua (*Non-executive Director*)
Mr. Lo Wai Hung (*Independent non-executive Director*)
Mr. Li Jia Miao (*Independent non-executive Director*)
Mrs. Fu Ming Zhong (*Independent non-executive Director*)
Mrs. Wang Jin Xia (*Independent non-executive Director*)

* For illustration purpose only