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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)

**CONNECTED TRANSACTIONS
IN RELATION TO
LAND ACQUISITION AND
DISPOSAL OF A WHOLLY OWNED SUBSIDIARY**

SUMMARY

Acquisition Agreement – Land Acquisition

The Board is pleased to announce that on 5 January 2015, Weigao Blood, a 70% owned subsidiary of the Company entered into the Acquisition Agreement with Weigao Holding, a substantial shareholder of the Company. Under the Acquisition Agreement, Weigao Holding agreed to sell the land use rights of a parcel of land located at Zhu Cun Zhen, Weihai, Shandong Province, the PRC with land registration certificate number “威高國用(2013)第92號” together with the infrastructure erected thereon to Weigao Blood. The Acquisition Consideration of the Land is approximately RMB163.3 million (equivalent to approximately HK\$203.5 million).

Disposal Agreement – Disposal of a Wholly-owned Subsidiary

The Board is also pleased to announce that on 5 January 2015, the Company and Wellford entered into the Disposal Agreement with Weigao Holding, pursuant to which the Company and Wellford have agreed to sell and Weigao Holding has agreed to buy the entire issued share capital of Hai Sheng at the Disposal Consideration of approximately RMB15.9 million (equivalent to approximately HK\$19.8 million). Following the completion of the Disposal, the Company will no longer have any interest in Hai Sheng and Hai Sheng will cease to be a subsidiary of the Company.

* For identification purpose only

As at the date of this announcement, Weigao Holding holds 48.25% equity interest of the Company and is a controlling shareholding of the Company. As such, Weigao Holding is a connected person under the Listing Rules. The transactions under the Acquisition Agreement and the Disposal Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) of the Acquisition Agreement and the Disposal Agreement are less than 5%, the connected transactions under the Acquisition Agreement and the Disposal Agreement are only subject to the reporting and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. ACQUISITION AGREEMENT – LAND ACQUISITION

A. Background

On 5 January 2015, Weigao Blood, a 70% owned subsidiary of the Company entered into the Acquisition Agreement with Weigao Holding, a substantial shareholder of the Company in which Weigao Holding holds 48.25% equity interest. Under the Acquisition Agreement, Weigao Holding agreed to sell the land use rights of a parcel of land located at Zhu Cun Zhen, Weihai, Shandong Province, the PRC with land registration certificate number “威高國用(2013)第92號” together with the infrastructure erected thereon to Weigao Blood. The Acquisition Consideration of the Land is approximately RMB163.3 million (equivalent to approximately HK\$203.5 million).

B. The Acquisition Agreement

Date

5 January 2015

Parties

Purchaser: Weigao Blood

Vendor: Weigao Holding

Target asset

The asset acquired under the Acquisition Agreement is the Land and the infrastructure erected thereon.

Weigao Holding originally purchased a larger plot of the land including the Land from the Bureau of Land and Resources in Weihai in June 2013 for a term of 49 years. The land use rights of the Land refer to the rights to use the Land with a total area of about 497,650 square meters for industrial use. The proportional original cost of the Land acquired by Weigao Holding in June 2013 was approximately RMB144.1 million (equivalent to approximately HK\$179.5 million) or approximately RMB289.5 per sq.m. (equivalent to approximately HK\$360.7 per sq.m.) and the initial development cost incurred in providing public utilities, including road construction, water, electricity supplies, drainage and telecommunication network building on the Land was approximately RMB19.2 million (equivalent to approximately HK\$23.9 million or approximately RMB38.7 per sq.m. (equivalent to approximately HK\$48.2 per sq.m.)).

Acquisition Consideration

Weigao Blood agreed to acquire the Land from Weigao Holding at the Acquisition Consideration. The Acquisition Consideration was arrived at after arm's length negotiation with reference to the cost of the Land acquired by Weigao Holding in 2013 plus initial cost of development incurred by Weigao Holding. The appraised value of the Land as per the valuation report dated 27 June 2014 prepared by the Valuer was approximately RMB163.3 million (equivalent to approximately HK\$203.5 million). Pursuant to the valuation report and the Acquisition Agreement, the Land is free from any pledges to any third parties.

Payment

Weigao Blood shall pay to Weigao Holding the Acquisition Consideration within three months' time from the date of signing of the Acquisition Agreement.

C. Reasons for benefits of the transaction

Weigao Blood is principally engaged in research and development, production and sales of blood purification consumables, blood purification equipment and related products. Weigao Blood intends to use the Land for the construction of blood purification production facilities.

Due to the rapid development of blood purification business, Weigao Blood needs to acquire more land to expand production capacity of its blood purification consumables and related products. The Land is in closed proximity with existing blood purification production plant and is considered as an appropriate location for Weigao Blood's further expansion of its production facilities. The Directors (including the independent non-executive directors) consider that the Acquisition Agreement was entered into on normal commercial terms, and the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

The connected Directors, including Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Chen Xue Li and Mrs. Zhou Shu Hua have abstained from voting on the board resolution in relation to the connected transaction under the Acquisition Agreement as they are also directors of Weigao Holding. Save as disclosed above, none of the Directors have interest in the connected transaction under the Acquisition Agreement.

II. DISPOSAL AGREEMENT – DISPOSAL OF A WHOLLY OWNED SUBSIDIARY

D. Background

On 5 January 2015, the Company and Wellford entered into the Disposal Agreement with Weigao Holding, pursuant to which the Company and Wellford has agreed to sell and Weigao Holding has agreed to acquire the entire issued share capital of Hai Sheng at the Disposal Consideration of approximately RMB15.9 million (equivalent to approximately HK\$19.8 million). Following the completion of the Disposal, the Company will no longer have any interest in Hai Sheng and Hai Sheng will cease to be a subsidiary of the Company.

E. Disposal Agreement

Date

5 January 2015

Parties

Vendor: the Company and Wellford

Purchaser: Weigao Holding

Target asset

The Company and Wellford has agreed to sell and Weigao Holding has agreed to buy 100% equity interest in Hai Sheng.

Disposal Consideration and Payment

Weigao Holding agreed to acquire the entire interest in Hai Sheng from the Company and Wellford at the Disposal Consideration of approximately RMB15.9 million (equivalent to approximately HK\$19.8 million). The Disposal Consideration was determined with reference to the unaudited net asset value of Hai Sheng as at 31 October 2014. The Disposal Consideration of RMB15.9 million (equivalent to approximately HK\$19.8 million). shall be payable by Weigao Holding to the Company within four months' from the date of signing of the Disposal Agreement.

The Disposal Consideration was arrived at after arm's length negotiation between Weigao Holding and the Company on normal commercial terms with reference to the net asset value of Hai Sheng of approximately RMB15.9 million (equivalent to approximately HK\$19.8 million).

F. Information on Hai Sheng

As at the date of this announcement, Hai Sheng is a wholly owned subsidiary of the Company and is a limited liability company incorporated in the PRC on 7 March 2013. Hai Sheng is principally engaged in the production and sales of sterilization cabinet and equipment in China. According to the unaudited management accounts of Hai Sheng, the net book value of Hai Sheng as at 31 October 2014 was RMB15.9 million (equivalent to approximately HK\$19.8 million) respectively. Hai Sheng recorded losses for the periods from March 2013 to 31 December 2013 and 10 months ended 31 October 2014 of approximately RMB460,000 (equivalent to approximately HK\$573,000) and RMB1.7 million (equivalent to approximately HK\$2.1 million) respectively.

The connected Directors, including Mr. Zhang Hua Wei, Mr. Wang Yi, Mr. Chen Xue Li and Mrs. Zhou Shu Hua who have abstained from voting on the board resolution in relation to the connected transaction under the Disposal Agreement as they are also directors of Weigao Holding. Save as disclosed above, none of the Directors have interest in the connected transaction under the Disposal Agreement.

G. Reasons for and benefits of the Disposal

Hai Sheng recorded losses since commencing its business in March 2013. The Board considers that the products of sterilization cabinet and equipment are not profitable due to low margin and keen competition from local players. The Board also consider that it is in the interest of the Company and shareholders to dispose Hai Sheng as the disposal represents a good opportunity to streamline product structure of the Group. It is intended that the net proceeds from the Disposal will be used as general working capital of the Group.

H. Possible financial effects of the disposal

Upon completion of the Disposal Agreement, the Company will cease to have any interest in Hai Sheng. Based on the unaudited management accounts of Hai Sheng as at 31 October 2014, the net book value of Hai Sheng was approximately RMB15.9 million (equivalent to approximately HK\$19.8 million). The Disposal Consideration of RMB15.9 million (equivalently to approximately HK\$19.8 million) is based on the net book value of Hai Sheng as at 31 October 2014. The Group is not expected to have any significant gain or loss arising from the Disposal. The actual gain or loss will depend on the financial position of Hai Sheng as at the date of completion of the Disposal Agreement.

I. Information of the Group and Weigao Holding

Based in Shandong province, the Group is 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: 1) consumables (infusion set, syringes, medical needle, blood bags and other consumables; 2) orthopedic materials; and 3) blood purification products. The Group's products are sold under its own brand names, including "Jierui", "Weigao Ortho", "Yahua" and "Bangde". The products are sold throughout the PRC and exported to overseas. The Group has a nationwide sales network and an extensive customer base of over 5,200 healthcare organizations including over 3,100 hospitals and 410 blood stations.

Weigao Holding is a conglomerate including production and sales of pharmaceutical and medical equipment and property development in China. Weigao Holding is the controlling shareholder holding 48.25% of the total issued share capital of the Company.

Wellford is an indirectly wholly owned subsidiary of the Company and is an investment holding company.

J. Implication of the listing rules

As at the date of this announcement, Weigao Holding holds 48.25% equity interest of the Company and is a controlling shareholding of the Company. As such, Weigao Holding is a connected person under the Listing Rules. The transactions under the Acquisition Agreement and the Disposal Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios (as defined in the Listing Rules) of Acquisition Agreement and Disposal Agreement are less than 5%, the Acquisition Agreement and the Disposal Agreement are only subject to the reporting and announcement requirements, but exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

“Acquisition Agreement”	the Acquisition Agreement dated 5 January 2015 in respect of the acquisition of the Land by Weigao Blood from Weigao Holding
“Acquisition Consideration”	the consideration of the Acquisition Agreement of RMB163.3 million
“Board”	the board of Directors of the Company
“Company”	Shandong Weigao Group Medical Polymer Company Limited, a joint stock company incorporated in the People’s Republic of China with limited liability and the shares of which are listed on the Stock Exchange of Hong Kong Limited
“Directors”	directors of the Company
“Disposal”	the disposal of Hai Sheng at the disposal consideration of RMB15.9 million
“Disposal Agreement”	the Disposal Agreement dated 5 January 2015 in respect of the disposal of Hai Sheng by the Company and Wellford to Weigao Holding
“Disposal Considerations”	the consideration of the Disposal Agreement of RMB15.9 million including RMB4.7 million to the Company and RMB11.2 million to Wellford
“Group”	the Company and its subsidiaries and associated company
“Hai Sheng”	威海威高海盛醫用設備有限公司 (Weihai Weigao Hai Sheng Medical Equipment Company Limited*) was incorporated on 7 March 2013 in the PRC with limited liability and are held as to 30% and 70% by the Company and Wellford respectively

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	means Shareholders other than Weigao Holding and its respective associates (as defined in the Listing Rules)
“Land”	a parcel of land located at 山東省威海初村鎮地號 371002014003GB01414 (No 371002014003GB01414, Zhu Cun Zhen, Weihai, Shandong Province, the PRC)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	means the People’s Republic of China
“Share(s)”	ordinary share(s) of RMB0.10 each in the capital of the Company
“Shareholder(s)”	the holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Weigao Blood”	威海威高血液淨化製品有限公司 (Weihai Weigao Blood Purified Product Co Limited) was incorporated on 27 December 2004 in the PRC with limited liability and is a 70% owned subsidiary of the Company
“Valuer”	威海聖達地產估價有限公司 (Weihai Xinda Property Valuation Company Limited*), an independent valuer
“Weigao Holding”	威高控股有限公司 (Weigao Holding Company Limited), a limited liability company established on 4 August 1998 in the PRC
“Wellford”	Wellford Capital Limited was incorporated on 18 March 2011 in the British Virgin Islands with limited liability and is an indirectly wholly owned subsidiary of the Company

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the PRC

“sq. m.” square meter(s)

Exchange Rate: In this announcement, for reference only and unless otherwise specified, the translation of RMB into HK\$ is based on the exchange rate of RMB0.8025 = HK\$1.00

By Order of the Board
Shandong Weigao Group Medical Polymer Company Limited
Chen Xue Li
Chairman

5 January 2015
Weihai, Shandong, the PRC

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

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