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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)

CONTINUING CONNECTED TRANSACTIONS

- (1) RENEWAL OF ANNUAL CAPS IN RESPECT OF
FRAMEWORK AGREEMENTS 2018
WITH WEIGAO HOLDING GROUP AND**
- (2) ENTERING INTO LOGISTIC AND DISTRIBUTION
SERVICES FRAMEWORK AGREEMENT 2018
WITH WEIGAO HOLDING GROUP**

**(1) RENEWAL OF ANNUAL CAPS OF CONTINUING CONNECTED
TRANSACTIONS IN RESPECT OF FRAMEWORK AGREEMENTS
2018 BETWEEN THE GROUP AND THE WEIGAO HOLDING
GROUP**

Reference is made to the announcement of the Company dated 25 November 2016 pursuant to which, it was stated, inter alia, that the annual caps for the continuing connected transactions contemplated under the Framework Agreements 2016 between the Group and the Weigao Holding Group for two years ending 31 December 2018, will be expired on 31 December 2018.

* For identification purpose only

The Board hereby announces that on 5 December 2018, the Group renewed and entered into the Framework Agreements 2018 with the Weigao Holding Group for a further term of two years commencing from 1 January 2019 and expiring on 31 December 2020.

The proposed annual caps have been determined after taking into account the historical transaction figures under the existing Framework Agreements 2016; and the expected year on year expansion of the business scope of the Group in the next few years. As the Group has been continually expanding its product portfolio and production capacity, the transaction of products and services between the Group and the Weigao Holding Group or other independent third parties will continue to grow and the transaction amount under the Framework Agreement 2018 is expected to increase accordingly.

(2) ENTERING INTO LOGISTIC AND DISTRIBUTION SERVICES FRAMEWORK AGREEMENT 2018 WITH WEIGAO HOLDING GROUP

The Board also announces that on 5 December 2018, the Company entered into the Logistic and Distribution Services Framework Agreement 2018 with Weigao Holding Group, pursuant to which the Weigao Holding Group has agreed to provide medical device related distribution services to the Group for a term of two years commencing 1 January 2019 and expiring 31 December 2020.

The proposed annual caps have been determined after taking into account of the expansion of business scale of the Group, the demand of the Group for an integrated supply chain management services and national distribution network to be provided by Weigao Holding Group.

LISTING RULES IMPLICATION

As at the date of this announcement, the Weigao Holding is the controlling shareholder of the Company, as such, Weigao Holding is a connected person of the Company. The transactions contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio under Rule 14A.78 of the Listing Rule in respect of the annual caps under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 exceed 0.1%, but is less than 5.0%. Such transactions contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 are therefore subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Board reviews and assesses annual caps under the continuing connected transactions on an ongoing basis and will comply with the relevant rules governing continuing connected transactions under Listing Rules from time to time.

INTRODUCTION

The Board is pleased to announce that on 5 December 2018, the Company entered and renewed the annual caps under the Framework Agreements 2018, comprising:–

- A. the Purchase Framework Agreement
- B. the Sales Framework Agreement
- C. the Tenancy Framework Agreement
- D. the Services Framework Agreement
- E. the Finance Leasing and Factoring Agreement

The Board is also pleased to announce that on 5 December 2018, the Company entered into the Logistic and Distribution Services Framework Agreement 2018 with the Weigao Holding Group, pursuant to which, Weigao Holding Group shall provide logistic supporting services on national distribution to the Group with annual caps of not exceeding RMB310 million (equivalent to approximately HKD353 million) for a term of two years from 1 January 2019 to 31 December 2020.

F. the Logistic and Distribution Service Framework Agreement 2018

1. Renewal of Annual Caps of Continuing Connected Transactions in respect of Framework Agreements 2018 with the Weigao Holding Group

The Company entered into the Purchase Framework Agreement, the Sales Framework Agreement, the Tenancy Framework Agreement, the Services Framework Agreement, the Finance Leasing and Factoring Framework Agreement (collectively the Framework Agreements 2018) on 5 December 2018 to renew and to re-set annual caps for the continuing connected transactions between the Group and the Weigao Holding Group for a term of two years from 1 January 2019 to 31 December 2020, details of which are stated as follows.

A. *Purchase Framework Agreement*

Principal terms of the Purchase Framework Agreement:–

Date: 5 December 2018

Parties: (1) the Group
(2) the Weigao Holding Group

Duration: For a term of two years from 1 January 2019 to 31 December 2020.

Nature of transaction: 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 and not limited to, medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery on a non-exclusive basis.

Pricing basis Prices and terms of purchase with respect to medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery sold by the Weigao Holding Group shall be determined in the ordinary course of business and on normal commercial terms, negotiated on an arm's length basis and at prices and terms no more favourable to the Weigao Holding Group or no less favorable terms to the Group, than those available to independent third parties.

The Group obtains price quotations from independent suppliers on products needed from the Weigao Holding Group and takes reference on the prevailing market prices to ensure terms (including pricing and payment) contemplated under the Purchase Framework Agreement are on normal commercial terms.

Payment terms Pursuant to the Purchase Framework Agreement, the payment terms for the purchase of medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery by the Group shall be no less favourable than those given to independent third parties by the Weigao Holding Group.

Condition and effective date The Purchase Framework Agreement will become effective on 1 January 2019.

Historical Aggregate Value of Purchase from the Weigao Holding Group

The total actual value of purchase transactions by the Group from the Weigao Holding Group for the financial year ended 31 December 2017 and the six months ended 30 June 2018 are set out below.

	Year ended 31 December 2017	Six months ended 30 June 2018
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Actual Aggregate Purchase Transaction	203.9 million (equivalent to about HK\$232.4 million)	126.6 million (equivalent to about HK\$144.3 million)

Proposed Annual Caps for Purchase from the Weigao Holding Group

The proposed purchase annual caps in respect of the transactions contemplated under the Purchase Framework Agreement for the two years ending 31 December 2020 are set out below.

	Year ending 31 December 2019	Year ending 31 December 2020
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Proposed Aggregate Annual Caps	310.0 million (equivalent to about HK\$353.4 million)	310.0 million (equivalent to about HK\$353.4 million)

The proposed annual caps for the purchase transactions have been determined with reference to the estimated future demand for medical equipment, medical raw materials, medical packaging materials, pharmaceutical, machine accessories and parts and office stationery by the Group from the Weigao Holding Group after taking into consideration of:–

- the historic value of purchases by the Group from the Weigao Holding Group
- the expected future business growth and development and the expected increase in demand for products of the Group
- an increase in the business growth of the Group
- an industry growth of medical device industry in China
- an inflation factor

B. Sales Framework Agreement

Principal terms of the Sales Framework Agreement:–

Date: 5 December 2018

Parties: (1) the Group
(2) the Weigao Holding Group

Duration: For a term of two years from 1 January 2019 to 31 December 2020.

Nature of transaction The Company agrees to sell or procure its subsidiaries to sell, and the Weigao Holding Group agrees to purchase or procure its subsidiaries to purchase, including and not limited to, medical devices, carton box and moulding on a non-exclusive basis.

Pricing basis

Prices and terms of sales with respect to products sold, including but not limited to medical devices, carton box and moulding by the Group shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and terms no more favourable to the Weigao Holding Group or no less favorable terms to the Group, than those available to independent third parties.

The pricing basis will be determined on an arm's length negotiation with reference to manufacturing costs and margin after taking into accounts the purchase quantity and technical requirement.

Payment terms

Pursuant to the Sales Framework Agreement, payment terms for the sale of medical devices, carton box and moulding to the Weigao Holding Group shall be no more favourable than those given to independent third parties by the Group.

Condition and effective date

The Sales Framework Agreement will become effective on 1 January 2019.

Historical Aggregate Value of Sales to the Weigao Holding Group

The total actual sales value by the Group to the Weigao Holding Group for the financial year ended 31 December 2017 and the six months ended 30 June 2018 are set out below.

	Year ended 31 December 2017	Six months ended 30 June 2018
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Actual Aggregate Sales Transaction	161.9 million (equivalent to about HK\$184.6 million)	96.9 million (equivalent to about HK\$110.5 million)

Proposed Annual Caps for Sales

The proposed annual caps in respect of the transactions contemplated under the Sales Framework Agreement for the two years ending 31 December 2020 are set out below.

	Year ending 31 December 2019	Year ending 31 December 2020
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Proposed Aggregate Annual Caps	250.0 million (equivalent to about HK\$285.0 million)	280.0 million (equivalent to about HK\$319.2 million)

The proposed annual caps for the sales by the Group to the Weigao Holding Group have been determined with reference to the estimated future growth in business and demand for products by the Weigao Holding Group from the Group after taking into consideration of:–

- the historical trend and expected growth of healthcare industry
- the estimated future demand from the Weigao Holding Group
- the healthcare industry growth in China
- an inflation factor

C. Tenancy Framework Agreement

Principal terms of the Tenancy Framework Agreement:–

Date:	5 December 2018
Parties:	(1) Landlord – the Group (2) Tenant – the Weigao Holding Group
Duration:	For a term of two years from 1 January 2019 to 31 December 2020.
Nature of transaction	Lease of premises located at industrial zone at Chucun in Weihai in Shandong Province, the PRC
Pricing basis	With reference to the market comparable in Weihai, Shandong Province.
Condition and effective date	The Tenancy Framework Agreement will become effective on 1 January 2019.

Historical Aggregate Rental Received from the Weigao Holding Group

The actual aggregate rental received by the Group from the Weigao Holding Group for the financial year ended 31 December 2017 and the six months ended 30 June 2018 are set out below.

	Year ended 31 December 2017	Six months ended 30 June 2018
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Actual Rental Received from the Weigao Holding Group	11.4 million (equivalent to about HK\$13.0 million)	7.3 million (equivalent to about HK\$8.3 million)

Proposed Annual Rental Caps Received from the Weigao Holding Group

The proposed annual caps for rental received from Weigao Holding Group contemplated under the Tenancy Framework Agreement for the two years ending 31 December 2020 are set out below.

	Year ending 31 December 2019	Year ending 31 December 2020
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Proposed Aggregate Annual Rental Caps	23.0 million (equivalent to about HK\$26.2 million)	25.0 million (equivalent to about HK\$28.5 million)

Rental is determined with reference to quotation of prevailing market rental rates of premises in proximity to production plant at Hi-tech Science Park in Weihai, Shandong Province. Rental rates and payment terms under the Tenancy Framework Agreement are comparable to and no less favourable to those entered into by the Group and rentee, if any. Terms including pricing basis and payment terms stated in the contract are subject to periodic review by both parties, reporting to audit committee, independent board committee, an annual review by auditor and disclosure requirement under Chapter 14A of the Listing Rules.

The proposed annual rental caps for the Group received from the Weigao Holding Group have been determined after taking into consideration of:–

- the pricing of rental rate of properties for office or manufacturing use at Hi-tech Science Park in Weihai, Shandong Province
- the property market development at Weihai, Shandong Province

D. Services Framework Agreement

Principal terms of the Services Framework Agreement:–

Date:	5 December 2018
Parties:	(1) the Group (2) the Weigao Holding Group
Duration:	For a term of two years from 1 January 2019 to 31 December 2020.
Nature of transaction	Provision of transportation services, dormitory, canteen and catering services and hotel services by the Weigao Holding Group to the Group.
Pricing basis	With reference to comparable services available in the market and provided by independent third parties.
Condition and effective date	The Services Framework Agreement will become effective on 1 January 2019.

Historical Aggregate Value of Services Provided by the Weigao Holding Group

The total actual value of services provided by Weigao Holding Group to the Group for the financial year ended 31 December 2017 and the six months ended 30 June 2018 are set out below.

	Year ended 31 December 2017	Six months ended 30 June 2018
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Actual Aggregate Service Transaction	62.7 million (equivalent to about HK\$71.5 million)	33.2 million (equivalent to about HK\$37.8 million)

Proposed Annual Caps for the Services Framework Agreement

The proposed annual caps in respect of the transactions contemplated under the Services Framework Agreement for the two years ending 31 December 2020 are set out below.

	Year ending 31 December 2019	Year ending 31 December 2020
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Proposed Aggregate Services Transaction	80.0 million (equivalent to about HK\$91.2 million)	90.0 million (equivalent to about HK\$102.6 million)

Pricing basis and payment terms of the Services Framework Agreement have been determined by reference to the prevailing market price and supply of such services available in the market and no less favourable to those entered into by the Group and independent third parties. Terms including pricing basis and payment terms stated in the contract are subject to periodic review by both parties, reporting to audit committee, independent board committee, an annual review by auditor and disclosure requirement under Chapter 14A of the Listing Rules.

The proposed annual caps for the Services Framework Agreement have been determined after taking into consideration of:–

- the number of employees which are expected to use the catering services and factory transportation from production plant to dormitory
- the number of guests, including investors, customers, business partners which are expected to use the catering services, pick up services and logistic services in Weihai, Shandong Province
- the expected growth in number of employees and visitors of the Group for the two years ending 31 December 2020
- the pricing of food and beverage services, and transportation services to be provided by the Weigao Holding Group
- an inflation rate

E. Finance Leasing and Factoring Framework Agreement

Principal terms of Finance Leasing and Factoring Framework Agreement:–

Date 5 December 2018

Parties (1) the Finance Companies
(2) the Weigao Holding Group

Duration: For a term of two years from 1 January 2019 to 31 December 2020.

Nature of Transaction

(1) Finance Leasing

Provision of financial leasing services by the Finance Companies to members of the Weigao Holding Group upon reasonable requests. With respect to each financial leasing transaction, the relevant Lessor and Lessee will enter into separate written contract.

(2) Factoring

Provision of recourse and non-recourse factoring and other commercial factoring services (including sales sub-account management services, accounts receivable collection services and other permitted business of the Group) by the Finance Companies to member of the Weigao Holding Group.

Material Terms

(1) Finance Leasing

- (i) Weigao Holding Group obtains financing either by way of sale-and-lease back arrangements, pursuant to which the Finance Companies will lease back the assets to Weigao Holding Group and Weigao Holding Group will pay rent (the principal and interest) to the Finance Companies on a monthly (or quarterly) basis; or by finance lease arrangement involving leasing of Leasing Equipment newly acquired by the Lessor as per the requirements of the Lessee.
- (ii) Upon expiry of the lease term, the Weigao Holding Group will repurchase the assets from the Finance Companies after the rent and the relevant expense have been fully paid to the Finance Companies according to the corresponding respective agreements under the Finance Leasing and Factoring Framework Agreement.

- (iii) The lease period will depend on, in particular, the useful life of the relevant Leasing Equipment, the financial needs of the Weigao Holding Group and the funding availability of the Finance Companies, such lease period in general should not exceed the useful life of such Leasing Equipment.
- (iv) The lease payments charged by the Finance Companies will include the purchase price or value of the Leasing Equipment and interest thereon charged on terms no less favourable to the Lessee than those offered by independent third parties.
- (v) The legal title and all rights of the Leasing Equipment shall vest in the Lessor throughout the lease period.
- (vi) Subject to the Lessee having performed all its obligations under, and upon the expiry of the lease period of the separate written contract (s) under the Finance Leasing and Factoring Framework Agreement, the Lessee shall have an option to purchase the relevant Leasing Equipment at a nominal price.

(2) Factoring

- (i) Under the Finance Leasing and Factoring Services Framework Agreement, the Finance Companies have undertaken to the Weigao Holding Group that whenever it provides commercial factoring services to the Weigao Holding Group, the conditions thereof shall not be more favorable than those available to the Weigao Holding Group from independent third parties for comparable commercial factoring services.
- (ii) The Weigao Holding Group will utilize the commercial factoring services of the Finance Companies on a voluntary and non compulsory basis and is not obliged to engage the Finance Companies for any commercial factoring services.

Pricing Policy

(1) Finance Leasing

The interest of the financial leasing services of similar nature offered by the Finance Companies shall be no more favourable than those available by other independent financial leasing companies in the PRC. The Group shall collect information about terms and conditions of the relevant transactions and compare the interest rate from independent financial leasing companies in China to ensure terms and conditions are no more favourable than those available by other independent third parties.

(2) Factoring

The comprehensive pricing (including interest and fees) of the commercial factoring services charged by the Finance Companies, after due diligence assessment by Finance Companies based on various factors including but not limited to the background, the financial position and credit standing and insurance cover in respect of the relevant account receivable, shall be fair and reasonable and shall not be lower than the comprehensive pricing of the same commercial factoring services provided by independent third parties to the Weigao Holding Group during the same period.

Historical Aggregate Finance Lease and Factoring Amount Provided by the Group to Weigao Holding Group

The total actual value of financial leasing and factoring amount provided by the Group to Weigao Holding Group for the financial year ended 31 December 2017 and the six months ended 30 June 2018 are set out below:–

	Year ended 31 December 2017 <i>Approximately</i> RMB	Six months ended 30 June 2018 <i>Approximately</i> RMB
Actual Aggregate Finance Leasing Amount	286.6 million (equivalent to about HK\$326.7 million)	291.8 million (equivalent to about HK\$332.7 million)

Control Measures

To ensure the conformity of Finance Companies with the pricing policy in relation to the continuing connected transactions contemplated under the Finance Leasing and Factoring Framework Agreement, the Group has adopted and would continue to take the following review procedures and approval process against the following assessment criteria when conducting financial leasing and factoring services:–

- (i) Prior to entering into respective financial leasing and factoring agreements, the authorised department of the Company will review and assess the specific terms and conditions of the financial leasing and factoring transaction and to compare the rates and terms with reference to the market conditions and the prices charged or quoted by independent third parties providing financial leasing or factoring services of similar nature with comparable scale under normal business conditions.
- (ii) After comparison, the authorised staff confirmed the rates and terms which are no more favourable than those offered by other independent third parties, the applicable will be submitted to accounting manager for review.
- (iii) After review by the accounting manager, if assessed to be in compliance with the terms set out in the Finance Leasing and Factoring Framework Agreement, would be further submitted to the Company's chief financial officer for approval.

The Directors consider that the above methods and procedures can ensure the continuing connected transactions contemplated under the Finance Leasing and Factoring Framework Agreement will be conducted on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of the Finance Leasing and Factoring Framework Agreement.

Proposed Annual Caps

The Group estimates that the proposed annual caps of the financial leasing and factoring businesses contemplated under the Finance Leasing and Factoring Framework Agreement for the two years ending 31 December 2020 are set out below:–

	Year ending 31 December 2019	Year ending 31 December 2020
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Proposed Aggregate Annual Caps	310.0 million (equivalent to about HK\$353.4 million)	310.0 million (equivalent to about HK\$353.4 million)

The annual caps of financial leasing and factoring transactions were determined based on the financing market conditions and by reference to, in particular, the historical amount and taking into account the further enhancement of the business growth of the Finance Companies and the Weigao Holding Group. The rent or interest rate and payment terms under the Finance Leasing and Factoring Framework Agreement was comparable to those entered into by the Weigao Holding Group with independent third parties, and are no more favorable than those available to other independent third parties with financial leasing and factoring transactions of similar nature. The terms stated in the contract (including the pricing basis and payment terms) are subject to periodic review by both parties, reporting to audit committee and independent board committee, an annual review by auditor and disclosure requirement under Rule 14A of the Listing Rules.

2. Entering into Logistic and Distribution Services Framework Agreement with Weigao Holding Group

F. Logistic and Distribution Services Framework Agreement 2018

Principal terms of Logistic and Distribution Services Framework Agreement 2018:–

Date: 5 December 2018

Parties: (i) the Group; and
(ii) the Distribution Company

Duration: For a term of two years from 1 January 2019 to 31 December 2020

Nature of Transaction: Provision of nation-wide distribution services by the Distribution Company under an integrated medical device supply chain with management mode with optimized product and customer structure.

Principle of the Provision of Services: Under the Logistic and Distribution Services Framework Agreement 2018, the Distribution Company would provide integrated medical device supply chain logistic services to the Group, the conditions thereof shall not be less favorable than those available to the Group from independent third parties for comparable distribution logistic services. The Group will utilize the distribution services of the Distribution Company on a voluntary and non compulsory basis and is not obliged to engage the distribution services provider of the Weigao Holding Group for any distribution and logistic services. The Distribution Company may, from time to time, enter into separate individual agreement with the Group for the provision of distribution services, provided that the principles as agreed in the Logistic and Distribution Services Framework Agreement 2018 must be followed.

Pricing Policy: The comprehensive pricing (including fees) of the distribution services charged by the Distribution Company shall be fair and reasonable and shall not be higher than the comprehensive pricing of the similar distribution services provided by independent third parties to the Group during the same period.

The Group has not previously engaged in the distribution services provided by Distribution Company. The estimated annual caps for the continuing connected transactions contemplated under the Logistic and Distribution Services Framework Agreement 2018 are determined with reference to the consolidation of the medical device distribution in China, the business capacity of the Distribution Company, the logistic management support needs of the Group and the prevailing fees charged by other medical device distribution companies.

Reasons for Entering into the Logistic and Distribution Services Framework Agreement 2018

The Directors consider that it is in the best interest of the Group to enter into continuing connected transaction under Logistic and Distribution Services Framework Agreement 2018 with the Weigao Holding Group because:

1. medical device logistic and distribution service is not the core competency of the Group while the Weigao Holding Group has extensive experience in logistic and distribution operation and has a proven network of a national integrated logistic platform to draw upon.
2. “two-invoice system” recently launched in China to consolidate the fragmented distributors in medical device industry with an aim to eliminate ineffective multi-layers distribution chain and unorderly market. Reliable and advanced supply chain services provided by the Weigao Holding Group will optimize customer structure of the Group.

3. Proposed Annual Caps for the Distribution Services from the Weigao Holding Group

The proposed annual caps in respect of the transactions contemplated under the Logistic and Distribution Services Framework Agreement 2018 for the two years ending 31 December 2020 are set out below.

	Year ending 31 December 2019	Year ending 31 December 2020
	<i>Approximately RMB</i>	<i>Approximately RMB</i>
Proposed Aggregate Annual Caps	310.0 million (equivalent to about HK\$353.4 million)	310.0 million (equivalent to about HK\$353.4 million)

REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENTS 2018 AND LOGISTIC AND DISTRIBUTION SERVICES FRAMEWORK AGREEMENT 2018

The Company has been conducting business with Weigao Holding since the Company became listed on the Stock Exchange in 2004. Weigao Holding is a conglomerate corporate and a reliable supplier as a long term and reputable business associate with profound experiences in sectors, including but not limited to the production of medical equipment, sanitary products, medical packaging materials and pharmaceuticals, hotel business, construction, and provision of catering services and logistic services. Upon recent review of the Group's business development and its anticipation of the increase in the scope and transaction amounts of the products and services to be provided to and by the Group, the Directors proposed to renew the Framework Agreements 2018 and to enter into the Logistic and Distribution Services Framework Agreement 2018 which would provide a more comprehensive binding contract for different categories of goods and services between the Group and the Weigao Holding Group. The existing and foreseeable ongoing continuing connected transactions with the Group under the Framework Agreement 2018 and the Logistic and Distribution Services Framework Agreement 2018 will provide a fair and reasonable basis on which the Company will be subject to the reporting and announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. The Board reviews and assesses annual caps under the continuing connected transactions on an ongoing basis and will comply with the relevant rules governing continuing connected transactions under Listing Rules from time to time.

The transactions contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 are expected to be of a recurrent nature and will occur on a regular and a continuing basis in the ordinary and usual course of business of the Group and the Weigao Holding Group. The products and services contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 will be negotiated on arm's length basis and comparable with terms available from or to independent third parties.

The Directors (including the independent non-executive directors) are of the view that the annual caps for the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 are fair and reasonable and in the interest of the Company and Shareholders as a whole. Directors of the Company, Mr. Zhang Hua Wei, Mrs. Zhou Shu Hua, Mr. Wang Yi and Mr. Gong Jian Bo, are also directors of the Weigao Holding, being the connected parties were abstained from voting in the relevant resolutions of the board meeting of the Company held on 29 August 2018.

INFORMATION REGARDING THE COMPANY AND THE WEIGAO HOLDING

The Company

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

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. The transactions contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018, therefore constitute continuing connected transactions of the Company.

Shandong Weigao Finance Companies Limited and Shanghai Finance Companies Limited are companies incorporated under the laws of the PRC with limited liability and are wholly owned subsidiaries of the Company. Both the Finance Companies are principally engaged in finance leasing and factoring services.

The Distribution Company is a company incorporated under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding. The Distribution Company is principally engaged in medical device logistic operation and distribution services in China.

GENERAL

Weigao Holding is the controlling shareholder of the Company and is therefore a connected person of the Company, the transactions contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 constitute continuing connected transactions of the Company for the purpose of Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under Rule 14A.78 of the Listing Rule in respect of the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 exceeds 0.1%, but is less than 5.0%. Such transactions contemplated under the Framework Agreements 2018 and the Logistic and Distribution Services Framework Agreement 2018 are therefore subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITION

“Board”	the board of directors of the Company
“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 company incorporated in the People's Republic of China, the shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Distribution Company”	山東威高醫藥有限公司(Shandong Weigao Medical Company Limited*), is a company incorporated under the laws of the PRC with limited liability and is a wholly owned subsidiary of Weigao Holding
“Finance Company A”	山東威高融資租賃有限公司 (Shandong Weigao Financial Leasing Company Limited*) is a company incorporated under the laws of the PRC with limited liability and is a wholly owned subsidiary of the Company. It is principally engaged in finance leasing and factoring services

“Finance Company B”	上海融資租賃有限公司 (Shanghai Financial Leasing Company Limited*) is a company incorporated under the laws of the PRC with limited liability and is a wholly owned subsidiary of the Company. It is principally engaged in finance leasing and factoring services
“Finance Companies”	refer to Finance Company A and Finance Company B
“Framework Agreements 2016 ”	collectively refer to the purchase framework agreement, the sales framework agreement, the tenancy framework agreement and the services framework agreement entered into between the Group and the Weigao Holding Group dated 25 November 2016
“Framework Agreements 2018”	collectively refer to the Purchase Framework Agreement, the Sales Framework Agreement, the Tenancy Framework Agreement, the Services Framework Agreement, and Finance Leasing and Factoring Agreement entered into between the Company and the Weigao Holding Group dated 5 December 2018
“Group”	the Company and any of its subsidiaries
“Independent Board Committee”	the independent board committee of the Company comprising all the independent non-executive Directors, to consider the transactions contemplated under the Framework Agreements 2018 and the relevant annual caps
“Independent Shareholders”	the shareholders, other than the Weigao Holding, being the controlling shareholder of the Company, Mr. Zhang Hua Wei, Mrs Zhou Shu Hua, Mr. Wang Yi, Mr. Miao Yan Guo, Mr. Wang Zhi Fan, Mr. Wu Chuan Ming and Mr. Chen Lin being connected parties of the Company
“Leasing Equipment”	any machinery, equipment or other property to be leased to the members of the Weigao Holding Group by Finance Leasing Company

“Lessor”	the Finance Companies or their subsidiaries
“Lessee”	any member of the Weigao Holding Group which obtain financial leasing and factoring services from the Group
“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
“Purchase Framework Agreement”	the purchase framework agreement entered into between the Group and the Weigao Holding Group dated 5 December 2018
“Sales Framework Agreement”	the sales framework agreement entered into between the Group and the Weigao Holding Group dated 5 December 2018
“Services Framework Agreement”	the services framework agreement entered into between the Group and the Weigao Holding Group dated 5 December 2018
“Shareholders”	the holders of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tenancy Framework Agreement”	the tenancy framework agreement entered into between the Group and the Weigao Holding Groups dated 5 December 2018
“Weigao Holding”	Weigao Holding Company Limited (威高集團有限公司*), is a company established in the PRC on 4 August 1998 with limited liability and is a controlling shareholder holding 47.76% equity interest in the Company

“Weigao Holding Group”	Weigao Holding and any of its subsidiaries (other than the Company)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC

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 RMB0.8772 = HK\$1.00.

Shandong Weigao Group Medical Polymer Company Limited
Zhang Hua Wei
Chairman

5 December 2018
Shandong, the PRC

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

Mr. Zhang Hua Wei (*Executive Director*)
Mr. Gong Jian Bo (*Executive Director*)
Mr. Wang Yi (*Non-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*)